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HISTORY

LEGAL TENDER PAPER MONEY

ISSUED DURING THE

GREAT REBELLION.

LEGAL TENDER ACT.

ENDING ITS ORIGINAL OBJECT.—HOW IT HAS BEEN ABUSED AND PERVERTED.—
MISTAKES OF THE TREASURY DEPARTMENT.—VACILLATING COURSE
OF CONGRESS.—ANTAGONISM OF THE SUB-TREASURY.

DECISION OF THE UNITED STATES SUPREME COURT.—LEGAL TENDER ACT ONLY
A TEMPORARY WAR MEASURE.—NEW ISSUES ON NEW ENGRAVED
PLATES ARE UNCONSTITUTIONAL.

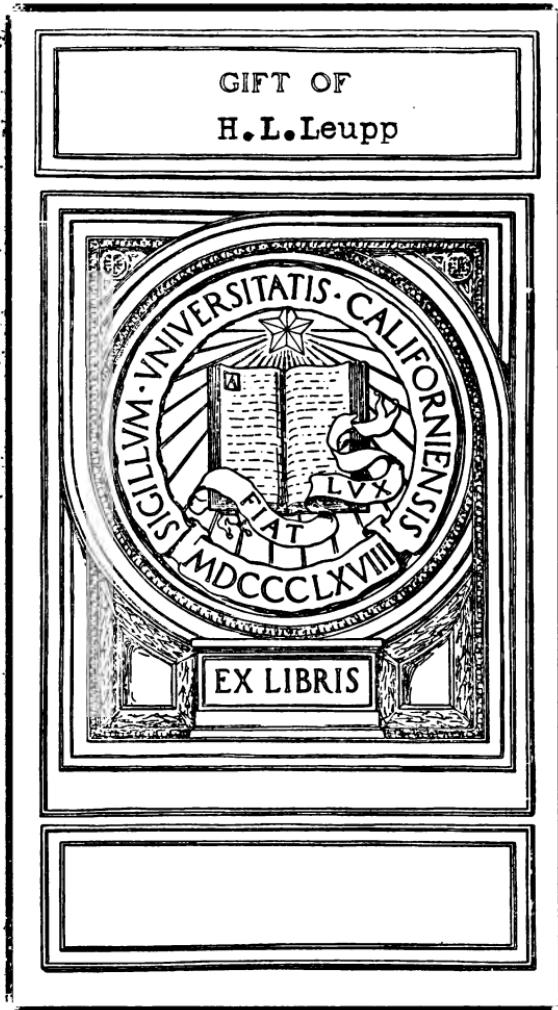
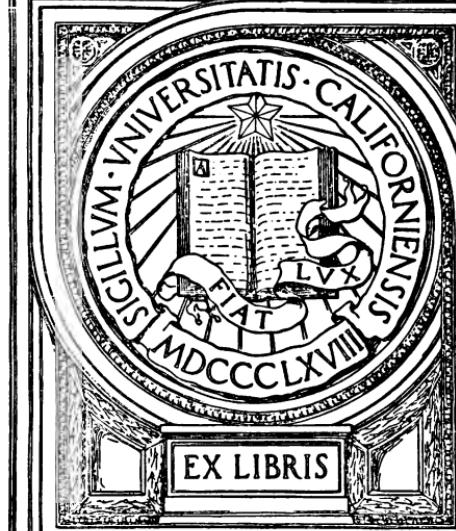
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FROM ALL PARTS OF THE
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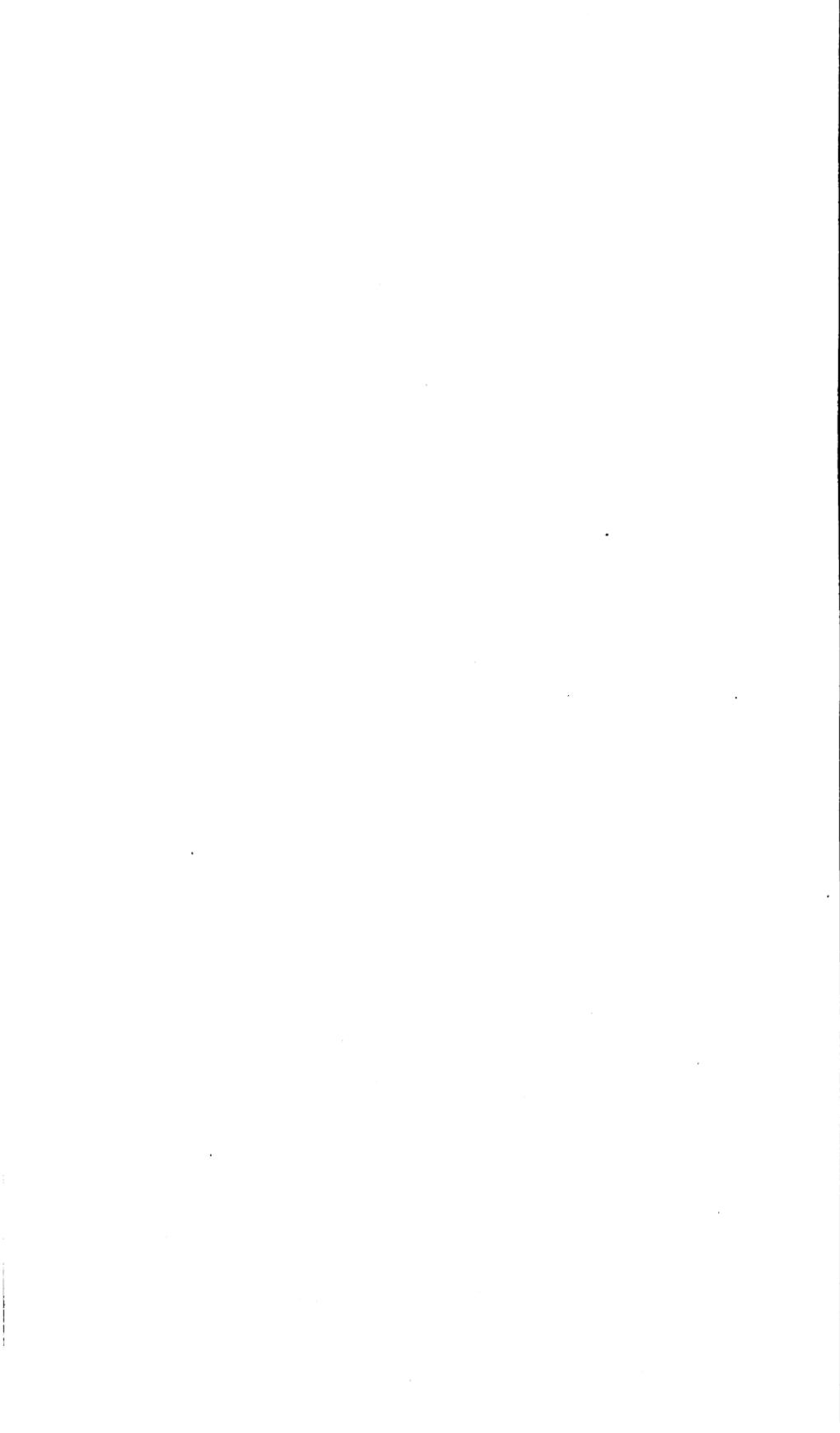
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E. A. - Gerry Spaulding

Legal tender act

INDEX TO THE NEW INTRODUCTION—1875.

	PAGE
Secretary Chase's first mistake in rejecting the bank check in 1861, -	1
Antagonism of the Sub-Treasury act and its suspension—Mr. Chase refuses to recognize its suspension, -	2
[See also historical letters of Geo. S. Coe and J. E. Williams, Appendix, pages 89 to 99.]	
The Banks and Sub-Treasury suspend specie payments—Mr. Chase in breaking the banks, at the same time broke the Sub-Treasury, and both were discredited together, -	3—4
Legal tender act introduced by Mr. Spaulding, Dec. 30, 1861, -	4
The primary object of the act was to <i>fund</i> the debt, -	5
It was a "temporary war measure," -	5
Title of the act was to "fund the greenbacks and floating debt" into 6 per cent. gold bonds—First legal tender notes issued March 10, 1862, with endorsement on the back to fund in 6 per cent. gold bonds, -	6—7
Second \$150,000,000 legal tenders authorized, -	8
Second great mistake of Secretary Chase—Abrogation of the right to fund the greenbacks in 6 per cent. gold bonds, -	8—9
\$900,000,000 loan act, -	9—10
Secretary Chase resigns—Gold, 2.85, -	10
Mr. Chase to Mr. Spaulding, July 15, 1869, -	11
W. P. Fessenden, Secretary of Treasury, July 5, 1864, -	11
Hugh McCulloch, Secretary of Treasury, March 4, 1865, -	11
Secretary McCulloch not supported by Congress, -	11
\$830,000,000 of 7-30 Treasury notes issued to pay the army, and which were funded in three years into 6 per cent. gold bonds, -	11—12
Geo. S. Boutwell, Secretary of Treasury, March 11, 1869, -	12
Third mistake of Treasury Department, -	12
New engraved plates and new issue of greenbacks, four years after the close of the war, -	13
Wm. A. Richardson, Secretary of Treasury, March 17, 1873—\$26,000,000 inflation of the currency, -	14

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iv

Several decisions of the U. S Supreme Court on the legal tender act—	
Only justified as a temporary war measure, to be dispensed with as soon as possible after the close of the war,	15—16
Justice Strong's letter on our early return to a "normal condition,"	16
Atty.-Gen. Hoar's letter on our early return to a "normal condition,"	17
A tender of the new emission of greenbacks not valid (unconstitutional),	17
President Grant's veto of inflation bill,	17
Assorting Bureau for redemption of national currency,	18
President Grant's plan for resuming specie payments,	19
Senator Sherman's law for resuming specie payments, January 1, 1879,	20
When the gold standard is reached, the surplus of paper currency will be retired,	23
New York to resume Jan. 1, 1879, Treasury sales of gold to pay current expenses, because the revenue is insufficient, is discreditable to the government,	24
Secretary Bristow not sufficiently supported by Congress,	25
Conclusion,	26
Hon. W. H. Seward's letter,	27
Hon. Horace Maynard,	27
Charles Sumner, E. Corning, S. Hooper,	28
Senator Sherman, Secretary Stanton, and H. Hamlin,	29
Benson J. Lossing, W. W. Corcoran,	30
Senator Morrill and Samuel Hooper,	31
Horace Greeley, New York Tribune,	32

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SECOND EDITION.

INTRODUCTION.

THE LEGAL TENDER ACT.—FUNDING ITS ORIGINAL OBJECT.—

HOW IT HAS BEEN ABUSED AND PERVERTED.—

RESUMPTION OF SPECIE PAYMENTS.—

SUB-TREASURY ACT, &c.

In the publication of a further edition of the "Financial History of the War," prepared by me in the winter of 1869, I may be indulged in a few words in vindication of the Legal Tender act as originally passed, and some criticisms on the general management of the Finances, especially the mistakes of the Treasury department in its administration of that act, and of other laws authorizing the issue of bonds and treasury notes.

As chairman of the sub-committee of ways and means, having charge of this subject, I became very much identified with this legislation, as well as with the bank bill passed during the second year of the war.

The first material mistake in the management of the finances, occurred when Secretary Chase discarded the use of the bank check, and the clearing house, in the fall of 1861. The Secretary of War might, with the same propriety, have rejected the railroad, the locomotive, and the telegraph. The modern invention of the bank check and the clearing house for the transaction of large financial operations with facility, are quite as useful as are railroads and telegraphs in carrying on military operations with success. The Secretary of War did not fail to make use of the railroads and the telegraph, but the Secretary of the Treasury, by sticking to the sub-treasury, and rejecting the bank check and clearing house, committed a great blunder at the commencement of the war. This mistake occurred under the following circumstances:

Two important loan acts were passed at the extra session of Congress in July and August, 1861. The first act was approved July 17th, and the second August 5th. By section six of the last

THE HISTORY OF THE CIVIL WAR

mentioned act, the sub-treasury act passed in 1846, was so far suspended as to allow the Secretary of the Treasury

"To deposit any of the moneys obtained on any of the loans now authorized by law, to the credit of the Treasurer of the United States, in such solvent specie paying banks as he may select; and the said moneys, so deposited, may be withdrawn from such deposit, for deposit with the regular authorized depositories, or for the payment of public dues, or paid in the redemption of the notes authorized to be issued under this act, or the act to which this is supplementary, payable on demand, as may seem expedient to, or be directed by the Secretary of the Treasury."

The primary object, which Mr. Appleton and myself had in view, in preparing this section, was to relax the rigid requirements of the sub treasury act, in regard to the receipt and disbursement of coin, and instead of paying solely from *coin deposits* in the treasury, to allow all the money obtained on these loans to be deposited in solvent banks; the United States Treasurer to draw his checks directly on such deposit banks in payment of war expenses, which checks would be paid in state bank notes then redeemable on demand in gold, or in the ordinary course of business, to a large extent, they would pass through the New York clearing house, and the clearing houses of other cities, and be settled and cancelled by offset, without drawing large amounts of specie. This mode of payment would have enabled the Secretary more easily to effect such loans, and make his large disbursements, without materially disturbing the coin reserves held by the banks, which were then well protected by these reserves in their vaults.

This mode of making the disbursements for the large war expenses was regarded by me at that early period of the war as of vital consequence to the stability of the finances of both government and people; hence the preparation and adoption of the sixth section of the act of August 5, 1861, giving the Secretary of the Treasury discretionary power to suspend the sub-treasury law in respect to these loans.

After the battle of Bull Run, which occurred on the twenty-first of July, of that year, the necessities of the government in clothing, arming and feeding troops—in providing munitions of war and building a navy—became so urgent that the banks in New York, Boston and Philadelphia most patriotically came forward and made arrangements in several negotiations with Secretary Chase, to loan to the government \$150,000,000 under the pro-

visions of the two loan acts passed at the extra session. Of this sum \$105,000,000 was apportioned to the associated banks in the city of New York payable by instalments. The banks were then in good condition, transacting their business on a specie basis, and paid coin for all balances at the clearing house, and redeemed their circulating notes in coin, and the loan to the government was made with the expectation that the money would be deposited in the banks, and be checked out under the direction of the Secretary, in pursuance of the sixth section above referred to. The Secretary of the Treasury refused to use the discretionary power conferred upon him by that section, and would not check on the banks for the expenses of the war, so that current bank notes could be paid or balances settled through the clearing house, but insisted that the banks should pay the money loaned into the sub-treasury in gold or gold treasury notes, and from thence it was distributed for war purposes and scattered in different parts of the country. By far the greater part of this loan was paid in gold coin, taken from the reserves of the banks commencing on the nineteenth of August, 1861. This unnecessary mode of requiring the payment of the loans, so weakened the banks, that it brought on a general suspension of specie payments, during the last days of December, 1861. Notwithstanding the banks commenced making advances to the government about the nineteenth of August, 1861, yet none of the securities to be issued by the government for the loans were turned over to them until the fourteenth of January, 1862.

The banks having been committed to making the loans, and having made partial advances on account of the same, were obliged to complete the loan notwithstanding the Secretary of the Treasury deemed it incompatible with his views of duty, and the traditions of the sub-treasury law, to use such banks as disbursing agents of the government, even under the extraordinary exigency under which the loans were made. The call upon the banks for payment into the government depository of the remaining instalments of the loan, either in coin or gold treasury notes, was persistently urged by the Secretary until the final closing of the transaction on the third of February, 1862. This was the first material mistake of the Secretary of the Treasury, and was the first step in the wrong direction, which, combined with other important events, led to the necessity of passing the legal tender

act. The Secretary in breaking the banks, at the same time broke the sub-treasury, and both were discredited together. Under the policy pursued, the state bank bills which were local in character and credit, became uncurrent money, and the available gold in the country was wholly inadequate to meet the gigantic expenses of the war.

"A meeting of bank officers was held at the American Exchange Bank in the city of New York, December 28, 1861. One of the bank Presidents in a well considered speech delivered on that occasion, criticising the course of Secretary Chase in regard to those loans, said that

"He (Secretary Chase) was urged to draw directly on the banks. Coin being the basis of credits it was only in that way the increased financial operations of the government could be conducted; for it is impossible to maintain the superstructure of credit when the basis is withdrawn, for in destroying the basis the superstructure is also swept away. He refused to draw directly upon the banks for the proceeds of the loan taken by each. We are informed that the act of Congress was passed expressly for the purpose of authorizing him to do so, but he gave it a different interpretation which may be the correct one, although I do not think so."

The failure of the Secretary to recognize the suspension of the sub-treasury law, fully demonstrates the truthfulness of the remark made by Disraeli, that "upon a perfect knowledge and right appreciation of details the settlement of great questions mainly depends." The Secretary was intent upon having the gold for disbursement, without fully comprehending the effect this large drain was to have upon the banks and the general finances of the country.

LEGAL TENDER ACT.

The suspension of specie payments by the banks and the treasury of the United States occurred on the twenty-eighth of December; 1861, and two days later, on the thirtieth of the same month, I prepared and introduced the legal tender act, into the House of Representatives. The history of this measure in its passage through both houses is fully set forth in the text. The speeches and votes of members on both sides of the question are given in detail in this book, commencing at page six. The measure was prominently discussed before the people and in Congress for more than six weeks. It passed both houses and received the approval of President Lincoln February 25, 1862.

It is a fundamental principle, which I think I fully comprehended when I introduced this act into Congress, that not one dollar of paper money ought ever to be issued by the govern-

ment, or by any bank, without at the same time, making ample provision for its prompt redemption, on demand. The best redemption, and the best attainable standard of value, is gold coin, and the only admissible standard in time of peace. It was an utter impossibility for our government at that time to redeem the legal tender notes in gold, because it could not be had on any terms; it was not in the country in sufficient amount to meet the great emergency; but the government could redeem (fund) the legal tender notes in six per cent. twenty years gold bonds. And here I may say, most emphatically, that if these six per cent. bonds could then have been negotiated for any funds available, and in adequate amount, for war expenses, not one dollar of legal tender notes would have been issued. This could not be done, and the act was framed with the express agreement that the legal tender notes issued under it should be redeemed in the six per cent. gold bonds. The second section of the act authorized the issue of \$500,000,000 bonds for that purpose.

The leading object of the legal tender act, was to create a currency national in character, which could be used for liquidating war expenses, and, to prevent any plethora or redundancy of such currency, provide at the same time for funding it in the six per cent. bonds. The leading object was to *fund* the debt. This provision for funding, also, in a great measure, relieved the act of the apparent injustice of compelling people, by the legal tender clause, to receive this currency on ordinary debts and invested securities when they could immediately upon its receipt, convert it into six per cent. gold bonds at par.

In the opening speech which I made soon after I presented the bill to the House, (see History, page 29) I said

"The bill before us is a war measure, a measure of *necessity*, and not of choice, presented by the committee of Ways and Means to meet the most pressing demands upon the treasury to sustain the army and navy until they can make a vigorous advance upon the traitors and crush out the rebellion. These are extraordinary times and extraordinary measures must be resorted to, in order to save our Government and preserve our nationality."

After a full presentation of the scope and object of the bill, and an argument in favor of its constitutionality, as a war measure, and as a means of carrying into full effect the war power, granted in the constitution, substantially as has since been de-

cided by the U. S. Supreme Court, I closed my first presentation of the bill to the House as follows:

"It is plainly within the scope of the constitution that the government should maintain itself; that the army should be supported; that the navy should be maintained. The ways and means of doing this are left to Congress to provide. Congress may do this entirely by taxation. It may provide by law to levy and collect taxes enough every year to pay the whole expenses of the war, during each current year, and so 'pay as we go.' It may issue six per cent. bonds and sell them on the market for what they will bring—even if they will not sell for over fifty cents on the dollar—to raise money to carry on the war. It may issue treasury notes payable on demand, and make them a legal tender in payment of debts. Either one or all of these modes of paying the expenses of the government is left to the discretion of Congress. Either mode is constitutional; and it is left to the *sound discretion* of Congress to decide which mode it will adopt, or whether it will adopt a part of each, as being the best in the present crisis. My own impression is, that it will be best for us to adopt, in part, all of these modes for providing the means:

"1. Raise by taxation, the current year, over and above the amount received from duties on imports, the sum of \$150,000,000.

"2. Issue \$100,000,000 of demand treasury notes in addition to the \$50,000,000 authorized in July, making them legal tender in payment of debts, and exchangeable at any time for six per cent. twenty years' bonds; with a further issue of demand notes, if Congress shall hereafter deem it necessary.

"3. Provide for the issue of all the twenty years' six per cent. bonds that may be necessary to fund the demand treasury notes, and other fundable treasury notes, that may be issued (say \$500,000,000 six per cent. twenty years' coupon bonds), and pledge \$30,000,000 of the annual taxes to pay the interest half-yearly thereon, and pledge \$25,000,000 more as a sinking fund to redeem the principal in twenty years.

"4. This tax of \$150,000,000 would afford an ample basis on which to rest the credit of the government for this large issue of treasury notes and bonds, and would insure the punctual payment of the interest to the capitalists who might hold them.

"The demand notes put in circulation would meet the present exigencies of the government in the discharge of its existing liabilities to the army, navy and contractors, and for supplies, materials and munitions of war. These notes would find their way into all the channels of trade among the people; and as they accumulate in the hands of capitalists they would exchange them for the six per cent. twenty years' bonds.

"These circulating notes in the hands of the people would enable them to pay the taxes imposed, and would facilitate all business operations between farmers, mechanics, commercial business men and banks, and be equally as good as, and in many cases better, than the present irredeemable circulation issued by the banks.

"The \$500,000,000 six per cent. twenty years' bonds in the hands of the Secretary of the Treasury ready to be issued would afford ample opportunity for *funding the treasury notes* as fast as the capitalists might desire to exchange treasury notes, not bearing interest, for coupon bonds of the United States, bearing six per cent. interest, and amply secured by a tax upon the people and all their property.

"In this way the government will be able to get along with its immediate and pressing necessities without being obliged to force its bonds on the market at ruinous rates of discount; the people, under heavy taxation, would be shielded against high rates of interest; and the *capitalists will be afforded a fair compensation for the use of their money during the pending struggle of the country for national existence.*"

From this brief statement of the inception of the legal tender act, it will be seen that it was a temporary war measure; that this greenback currency was receiveable for internal taxes and all other dues, except customs duties and interest on the funded debt; that a sinking fund was provided of one per cent. each year of the entire debt of the United States after July 1, 1862, and the whole of this temporary currency and all the floating debt of the United States was, by the second section of the act, fundable (redeemable) in six per cent. gold bonds. The title of the act was very expressive. "An act to authorize the issue of United States notes *and for the redemption or funding thereof*, and for funding the floating debt of the United States." The government could not redeem in gold, but could redeem in bonds issued on its credit. These legal tender notes were in substance and effect, certificates of debt given for war expenses redeemable on demand in these bonds. Thus, the fundamental principal, that no paper currency should ever be issued, without providing at the same time, for its prompt redemption, was provided for in the best mode in which, under the unparalleled emergency, the government was able to provide for it.

The first legal tender notes issued under the act bore date March 10, 1862, and had printed on the back of them these words:

"This note is a legal tender for all debts public and private, except duties on imports and interest on the public debt, *and is exchangeable for U. S. six per cent. bonds redeemable at the pleasure of the United States, after five years.*"

These notes in the form of greenback currency were immediately issued by Secretary Chase and disbursed for war expenses, and the treasury of the United States was very soon relieved of the pressing demands that were made upon it. The army and

navy were paid, and supplies and materials of war obtained on these paper promises in sufficient quantity to prosecute the war with vigor.

The first edition of legal tender notes were by the gigantic war expenses very soon exhausted. On the seventh of June, 1862, Secretary Chase sent an official communication to the Committee of Ways and Means asking for a further issue of \$150,000,000 of legal tender notes, and that a part of this emission should be in one dollar notes, the previous emission having all been issued in notes of five dollars and upwards. (*Legal tender History*, page 154.) In this communication Mr. Chase urged in favor of small bills, and said "it may further be properly observed that since the United States notes are made a legal tender and maintained at near the par of gold by the provision for their conversion into bonds bearing six per cent. interest payable in coin, it is not easy to see why small notes may not be issued as wisely as large ones."

This quotation is made for the purpose of showing how important it was deemed at that time, that all the greenback currency should be redeemable in gold bonds.

I made the opening speech on the bill in favor of this further issue of the legal tender notes. In the course of my remarks I said:

"The soldiers and sailors give their services, risk their lives and endure all the hardships, sickness and privations of the campaign, and cheerfully take these notes in payment. Supplies, subsistence and material of war of every kind is eagerly furnished, and these greenbacks taken in exchange for the same. This kind of loan is so popular with the people, and being without interest, is so advantageous to the government, it is desirable that it should be extended so far as it can be done safely, and without unduly stimulating speculations to such an extent as to cause an unfavorable reaction to the legitimate business of the country. *But when bonds can be negotiated at par I think it will be safer to have bonds negotiated than to issue legal tender notes.*"

The act for this additional issue of greenback currency was passed and approved by President Lincoln, July 11, 1862. It provided that the notes should be redeemed on demand in the six per cent. gold bonds.

SECOND MISTAKE.

The great mistake—greater than all other mistakes in the management of the war—was the abrogation of the right to fund the greenback currency in gold bonds, as provided for in the two preceding acts.

All the other mistakes, civil and military, which occurred during

the war were of slight consequence when compared with the mischievous and grave consequences resulting from this one mistake. Taking away from the holder of this paper money the right to have it redeemed on demand in gold bonds, besides being manifestly unjust to the holders, let the government and the whole country—banks and people—down into the *slough* of an irredeemable paper currency, where we have remained for over eleven years. From 1864 to 1875 it has been a dead weight on the business and industry of the country, without elasticity, and without any provision whatever being made for its redemption or payment. Its redundancy and consequent depreciation has operated very injuriously to the legitimate business of the country. It was an instrument of expenditure representing the waste of war, and not possessing the essential elements of a commercial currency. A majority of the people, however, have been deluded into the belief that those broken promises, representing the waste of war, were money, and a proper standard of value as a basis for doing business, and have plunged headlong into all sorts of speculations, unprofitable enterprises, extravagance in living general abuse of credit, idleness, and consequent demoralization.

If the right to fund the greenbacks into the six per cent. gold bonds had not been abrogated, no financier or practical business man, whose opinion is worth quoting, can doubt that we would have gone to specie payment within two or three years after the close of the war, in spite of ourselves. The individual indebtedness at the close of the war in 1865 was small. Every one was comparatively free from debt. The six per cent. gold bonds were sought for as an investment. They soon appreciated to par in gold, and if the right to fund had been continued, the greenback currency would have appreciated to par in gold along with bonds. The legal tender act would have served its purpose as a war measure, and we would have returned to the specie standard without material detriment to the legitimate business of the country. In this way we would have avoided a large part of the extravagance and demoralization that has been so reckless since the close of the war.

The circumstances leading to this mistake are fully set forth in the Financial History of the War, pages 188 to 198, but I will briefly recapitulate the facts. The \$900,000,000 loan act was passed and approved by the President March 3, 1863. At the

urgent request of Secretary Chase a clause was inserted in the act, taking away the absolute right of the holders of greenbacks to fund them into six per cent. gold bonds after July 1, 1863, and leaving it *discretionary* with the Secretary to allow them to be funded or not, as he might deem best for the public interest. Under this discretionary power the Secretary allowed them to be funded up to January 21, 1864. The legal tender act had worked well and all of the \$500,000,000 six per cent. bonds authorized by the first act had been taken up at par. The Secretary then decided that he would not allow any more funding in the six per cent. bonds, but would allow the holders of the greenbacks to fund them in a five per cent. bond. This mistake of the Secretary arrested the funding of the greenbacks into bonds, and materially depreciated and lowered the standard of this currency.

This attempt of the Secretary to *float* five per cent. bonds made it necessary, in order to meet the enormous war expenses, to issue and keep out large amounts of currency in the form of greenbacks, interest bearing notes, certificates of indebtedness, fractional currency and national bank notes, besides the irredeemable currency issued by state banks. Gold and commodities continued to advance in price. On the fifteenth of January, 1864, gold was \$1.55, on the fifteenth of April, \$1.78, on the fifteenth of June, \$1.97, and on the twenty-ninth of June, \$2.35 to \$2.50, which showed that the legal tender notes were then only worth forty cents on the dollar in gold. The next day, the thirtieth of June, 1864, Mr. Chase resigned the office of Secretary of the Treasury. At this time the inflating paper issues outstanding were over \$1,100,000,000, and in a few days thereafter gold reached its highest quotation, \$2.85, or more accurately speaking greenbacks depreciated until they were only worth in gold thirty-five cents on the *promised* dollar, at the Board of Brokers, in the city of New York. (History, page 198.)

Secretary Chase and myself differed materially in regard to the points herein stated in managing the finances. When the Financial History of the War was published, I sent him a copy, and received from him the following reply :

“ WASHINGTON, July 15, 1869.

“ MY DEAR SIR: This morning I have received your book on the Financial History of the War, promised in your letter, which came several days ago. I have had time to give only a very hasty glance at the contents. You adhere, I perceive, to your old views on the points where we differed; and I can-

not say I have changed mine. But I shall read your connected account of what transpired both while and since I was Secretary of the Treasury, with attention and interest, and will write you by-and-by more in detail. Meantime, I remain with that sincere regard and respect, which your abilities most honorably devoted to the welfare of our country inspired in me.

"Faithfully yours, "S. P. CHASE.

"HON. E. G. SPAULDING."

No further communication was ever received from Mr. Chase on the subject. He commenced his administration of the Treasury in 1861, as a believer in hard money, and a firm advocate of the Sub-Treasury law, and without much practical knowledge of the credit machinery by which the great financial transactions of the country are carried on. He left the office with twice as much inflating paper outstanding as ought ever to have been issued, and with the *promised* dollar printed on the face of the greenback worth only from 35 to 40 cents in gold.

Hon. Wm. Pitt Fessenden was appointed Secretary of the Treasury in place of Mr. Chase, and entered upon the duties of the office July 5, 1864, and continued in the office performing the duties very acceptably about eight months, and until the second inauguration of President Lincoln, March 4, 1865, when Mr. McCulloch was appointed in his place.

Secretary McCulloch was one of best practical financiers in the country, and managed the Treasury Department with marked prudence and ability. His annual reports were based upon correct principles, and were very clear and able expositions of the financial situation. If Congress had continued to give him proper support, instead of repealing the law for retiring greenbacks, it is my firm belief that he would have conducted us back to the specie standard during the four years of his administration of the Treasury Department, and without materially affecting, in an unfavorable manner, the legitimate business of the country. The controlling majority in Congress was weak and vacillating in its course, and utterly failed to make any provision for redeeming the greenback currency.

After the surrender of the rebel armies to Gen. Grant and Gen. Sherman the volunteer army was mustered out of the service, and had to be paid in full. Secretary McCulloch obtained the means to pay them chiefly by the issue of 7.30 treasury notes. The amount required for that purpose was very large, and the amount of these notes outstanding in October, 1865, was \$830,000,000,

which were, by law, expressly fundable within three years into six per cent. gold bonds. The right to fund them was not abrogated, and within three years they were all taken off the market and funded in those bonds. This shows conclusively how treasury notes may be retired from circulation by an efficient system of funding. The greenbacks would have been funded in the same way if the original contract for funding them had not been abrogated.

Upon the inauguration of President Grant on the fourth of March, 1869, Hon. George S. Boutwell was made Secretary of the Treasury, and entered upon the duties of the office March 11. The President, in his inaugural address, expressed himself favorable to a return to specie payments at the earliest practicable moment, and in his annual message, he said in reference to an irredeemable currency, "It is an evil which I hope will receive your most earnest attention. It is a duty, and one of the highest duties of the government to secure to the citizen a medium of exchange of fixed and unvarying value. This implies a return to a specie basis, and no substitute for it can be devised. *It should be commenced now.*" * * * I earnestly recommend to you such legislation as will insure a gradual return to specie payments, and put an immediate stop to fluctuations in the value of the currency." The first act of Congress approved by President Grant after his inauguration, contained an express promise in these words: "The United States solemnly pledges its faith to make provision, at the earliest practicable period, for the redemption of the United States notes in coin."

This promise on the part of Congress to *make provision* for the redemption of the greenback currency in gold, has been about as badly broken, as was the promise made in the first legal tender act February 25, 1862, to redeem it in six per cent. gold bonds.

It is true that by the acts of Congress the revenues derived from custom duties and internal taxes were ample, in 1869, to pay the annual expenses of the government and interest on the public debt, and leave a surplus, and consequently an accumulation of gold in the treasury which would, in due time, have been an ample fund "to redeem the United States notes in coin" in accordance with the above promise.

Here commenced the third mistake on the part of the Treasury Department in the management of the finances. Secretary Bout-

well did not regard this surplus as at all necessary to the support of the credit of the greenbacks, or as a reserve by which they could ultimately be redeemed in coin. He therefore proceeded to pay off and take up the bonded debt not yet due for ten to fifteen years, leaving the past due greenbacks (badly broken promises) still in the slough of irredeemable currency, without any provision whatever for their payment. In this way he reduced the public debt including three per cent. notes about \$368,000,000 during the four years of his administration, but did not redeem any of the greenbacks, or keep any reserve for that purpose.

He also went further and committed an act which I have always regarded as a violation of the spirit and intent of the original legal tender act, in procuring new engraved plates to be made and the printing and paying out of a new emission of legal tender notes in time of peace, four years after the close of the war, when the public interests did not require, at that time, any such forced loan to be made. The clause in the original legal tender act in regard to the re-issue of the greenback currency is as follows: "Such United States notes shall be received *the same as coin at their par value* in payment of any loans that may hereafter be sold or negotiated by the Secretary of the Treasury, and may be reissued from time to time as the *exigences of the public interests* shall require." (History legal tender act, p. 149.) The only ground on which, by any possibility, the legal tender notes could be constitutionally issued was that it afforded a means by which the war powers of the government could be carried into full effect in the prosecution of the war. But four years after the close of the war, it was not constitutional to reissue them, and it was very clear that no legitimate "public interest" required that this new emission should be reissued. On the contrary, it was manifestly for the "public interest" that as fast as these notes were returned to the treasury they should be held there, or cancelled, until the balance outstanding were on a par with gold. The forcing into circulation of a new emission of broken promises so long after the close of the war was not only a violation of the constitution, but was manifestly contrary to the spirit and intent of the legal tender act as originally passed. Secretary Boutwell's policy of using his surplus revenues to pay off a funded debt not due, instead of redeeming the broken and past due promises, was based on the fallacious idea put forth by him on many occasions that

the country would "grow up" to the situation, and that the greenback currency would ultimately all appreciate to par with gold by the increased population, and the enlarged demands of the business of the country without making provision for redeeming it.

Hon. William A. Richardson succeeded Mr. Boutwell as Secretary of the Treasury, on the seventeenth day of March, 1873.

He was assistant Secretary under Mr. Boutwell, and upon assuming the duties of Secretary continued the same mistaken policy in regard to the finances which had been carried out by his predecessor. Both of them went so far as to claim that the greenbacks withdrawn from circulation during Mr. McCulloch's administration of the treasury, were still a *reserve*, and that they had a right to reissue them in case of an emergency. During the great financial panic which occurred in the fall of 1873, and with a view to stop it, Secretary Richardson did actually reissue and pay out in the purchase of bonds, not due, the sum of \$26,000,000 of greenbacks, which Mr. McCulloch in a recent letter says, "was as powerless to stop the panic as bread pills would be to check the progress of the cholera or yellow fever."

The general policy of both Mr. Boutwell and Mr. Richardson was, to pay a debt not due, and leave neglected and unpaid the broken promises of the government, which had remained unpaid for several years. During their administration of the treasury the amount of greenbacks outstanding was increased from \$356,000,000 to \$382,000,000. Subsequently Congress, by act of June 20, 1874, fixed that sum as the maximum amount of the greenback currency, "and that no part thereof should be used as a reserve," which effectually cut off the pretense that the previously redeemed greenbacks were a reserve to be used by the Secretary of the Treasury at his discretion. Thus leaving the greenback currency \$26,000,000 more in 1874 than it was in 1869, when Mr. Boutwell became Secretary of the Treasury.

The Supreme Court of the United States, in the case of Lane County vs. The State of Oregon, decided, that the greenback currency was not a legal tender in the payment of *taxes* levied by that State. 7 Wallace R., 71. Also in the case of Bronsen vs. Rhodes, 7 Wallace, 229, that where the contract *in express terms* is payable in gold coin of the United States it cannot be satisfied by a tender of the greenback currency. These two cases are regarded as good law, and have not been overruled.

In the case of Hepburn vs. Griswold, 8 Wallace, 604, the Court (opinion of Chief Justice Chase), decided that a contract made payable in dollars before the passage of the legal tender act, could not be satisfied by a tender of greenbacks; that such act, so far as it applied to debts contracted *before* its passage, is unconstitutional.

Hon. J. W. Wallace, the official reporter of the United States Supreme Court, in a letter written by him March 9, 1770, says of this decision, "that notes of the United States when tendered in payment of a contract made previously to the passage of the legal tender act of February, 1862, was no lawful tender, was concurred in by *five* judges, not by *three* as assumed in the paragraph quoted. These five judges were the Chief Justice, and Justices Nelson, Grier, Clifford and Field. Judge Grier had left the bench before the *opinions were delivered*, but he was on it when the case was argued in conference; and when the judgment of affirmance of the Court of Appeals of Kentucky which had decided the tender bad, was irrevocably and perfectly agreed upon."

Subsequent to the decision in the above case of Hepburn vs. Griswold, the Supreme Court was filled up by the appointment of new judges, and consisted of nine judges—Chief Justice Chase and Associate Justices Nelson, Clifford, Swayne, Miller, Davis, Field, Strong and Bradley. This court thus constituted decided to hear a full argument on all the points raised in the cases of Knox vs. Lee, and Barker vs. Davis. The argument was heard at the December Term, 1870.

The court, after mature deliberation, decided, five to four, that a tender of United States notes on debts contracted previous to the passage of the legal tender act, February 25, 1862, was a valid tender in payment of such debts, thereby overruling the previous decision of the court in the case of Hepburn vs. Griswold.

Mr. Justice Strong delivered the opinion of the majority of the court, and Mr. Justice Bradley read an opinion on the same side. On the other side of the question very elaborate opinions were read by Chief Justice Chase and Justices Clifford and Field, all of which are published in 12 Wallace Reports, 457.

Hon. Reverdy Johnson, in a recent communication reviewing this case, comes to the conclusion that Justice Strong did not intend to go so far as to decide that such an act would be constitu-

tional if passed in time of peace. In that part of the opinion which appears at page 540 (12 Wallace), Justice Strong says the inquiry is whether such laws "were, when enacted, appropriate instrumentalities for carrying into effect or executing any of the known powers of Congress, or of any department of the government. Plainly to this inquiry, a consideration to the time when they were enacted, and of the circumstances in which the government then stood is important." He then states, in glowing but not exaggerated terms, what was the overwhelming *necessity* for the passage of the legal tender act in February, 1862, and adds "it is not to be denied that acts may be adapted to the exercise of lawful power, and appropriate to it in seasons of exigency which would be inappropriate at other times." Judge Bradley, the other new member, expressed the same idea of necessity even more emphatically. Said he: "It follows as another corollary from the views which I have expressed, that the power to make treasury notes a legal tender, whilst a mere incidental one to that of issuing the notes themselves, and to one of the forms of borrowing money, is nevertheless a power *not to be resorted to except on extraordinary and pressing occasions, such as war or other public exigencies of great gravity and importance; and should be no longer continued than all the circumstances of the case demand.*" This very plainly indicates that the majority of the court would not have decided the legal tender act constitutional if it had been passed while the government was on a peace footing.

LETTER FROM JUSTICE STRONG OF THE U. S. SUPREME COURT, IN FAVOR OF RETURNING TO OUR NORMAL CONDITION.

"PHILADELPHIA, March 8, 1870.

"Hon. E. G. SPAULDING: My Dear Sir: I received a short time since through your politeness, a copy of your 'Financial History of the War.' I have not hitherto acknowledged the receipt, and returned the thanks I owe, because I wished first to read the book, and my engagements have been such of late, that I could not find the necessary time. I have now read it, and have been both instructed and interested. The financial history of the country during the war is quite as remarkable as the war itself, and I am glad you have spread it before the public so intelligently. There were doubtless some mistakes, but it is wonderful that there were no more, and no greater. *Now if we can soon return to our normal condition, the scars of the war will soon be obliterated, and we shall have remaining only the blessings achieved.*

"I should be glad to discuss with you some subjects brought forward in your book, but I have not now the time, I can only say that your book,

as a whole, is, in my opinion very valuable, and that you deserve the gratitude of the country not only for your history, but for the part you acted during the war in sustaining the power of the government.

I am, yours truly,
W. STRONG.

If a *tender* of the new emission of greenbacks put out by Secretary Boutwell in 1869-70, should be made on an existing contract, it is doubtful whether such tender would be valid, because, four or five years after the close of the war, there did not exist any public necessity for such a forced loan. The revenues were then ample to pay all expenses and leave a surplus, which, under a mistaken policy was used to *unfund* the public debt, leaving the over due debt unpaid.

LETTER FROM ATTORNEY-GENERAL HOAR ON THE FINANCES.

WASHINGTON, Oct. 15, 1869.

HON. E. G. SPAULDING:

MY DEAR SIR:— I have the honor to acknowledge the receipt of your letter of the 6th inst., and with it a copy of your Financial History of the War, for which I desire to return my thanks.

The constant pressure upon my time has prevented me from giving the book more than a cursory inspection, but it seems to be a valuable acquisition to our financial history, and throws considerable light upon the important question of a return to specie payments. I am one of those who believed that it was for the interest as well as the duty of the nation to return at once to the true and solid standard of value as soon as active hostilities had ceased; *that we should have treated the currency as we did our armies*—REGARDING THE VOLUNTEERS AND THE GREENBACKS ALIKE AS NECESSITIES OF WAR, TO BE DISPENSED WITH AS FAST AS POSSIBLE ON THE RETURN OF PEACE. I think we made a great mistake in not doing so; that the shortest method was the shortest and best; that the only way to reach the object is by a steady and persistent contraction of the currency—a painful process whenever it comes, no doubt, but harder and worse for us the longer it is delayed.

I hope that Congress will address itself with courage and constancy to the solution of the problem as soon as it meets; and will feel assured that the American people have intelligence enough to support those who do it. My views on the subject are of little importance to anybody, but, as an American citizen, I should be sorry and ashamed to find my country unable and unwilling, in a time of peace and prosperity, *to provide for its over-due paper*.

Very respectfully,

E. R. HOAR.

PRESIDENT GRANT'S VETO.

In 1874, Congress passed an inflation act authorising a large increase of the greenback currency and containing other

mischievous provisions. This act was submitted to President Grant, and extraordinary efforts made by the inflationists in and out of Congress, to have him approve it. He refused to do so, and on the 22d of April vetoed the act in a message to the Senate condemning this measure of inflation in unqualified terms. He says "the theory, in my belief, is a departure from the true principles of finance, national interest, national obligation to creditors, congressional promises, party pledges by both political parties, and of the personal views and promises made by me in every annual message sent to Congress and in each inaugural address." This veto is regarded as one of the most important and useful acts of President Grant's administration. It had an important influence in checking the clamor for more irredeemable currency.

Secretary Richardson, after holding the office about fourteen months and a half, resigned, and on the 4th of June, 1874, Hon. Benjamin H. Bristow was appointed Secretary of the Treasury, and entered upon the duties of the office.

ASSORTING HOUSE.

In pursuance of the provisions of the act of Congress passed June 20, 1874, an Assorting Bureau has been established in the Treasury Department for the redemption of National Bank currency. This assorting and redeeming process serves a very useful purpose in taking out of circulation all the worn, dirty, mutilated and defaced notes, and replacing them with clean ones. All this is done in a satisfactory manner, and by an equitable assessment, the Banks pay all the expenses of this Assorting Bureau; but in so far as it seeks to be an efficient redemption of the National Bank notes, it utterly fails to give that vitality and elasticity which ought to attach to a commercial currency. The greenbacks and National Bank notes circulate on a par with each other, and each kind of notes possess about the same purchasing power. Both kinds are worth about 85 cents on the promised dollar. The consequence is that there has not been, and there cannot be, any efficient redemption of bank notes in the present condition of the currency, because there is neither object nor motive to prompt it. This, so called, redemption simply resolves itself into the swapping one kind of irredeemable paper for another kind of no higher value. But, inasmuch as it renovates the paper circulation,

whether we call it redemption, or a process by which clean notes are furnished, is not material. This redemption bureau will, however, become very important as soon as there is a general resumption of specie payments.

PRESIDENT GRANT'S PLAN.

On the 24th of June, 1874, President Grant published his further views in regard to resuming specie payments:

"First—I would like to see the legal-tender clause, so-called, repealed, the repeal to take effect at some future time, say July 1, 1875. This would cause all contracts made after that date, for wages, sales, &c., to be estimated in coin. It would correct our notion of values. The specie dollar would be the only dollar known as the measure of equivalents. When debts afterwards contracted were paid in currency, instead of calling the paper dollar and quoting gold at 20 per cent. premium, we should think and speak of paper at so much discount. This alone would aid greatly in bringing the two currencies nearer together at par.

Second—I would like to see a provision that at a fixed day, say July 1, 1876, the currency issued by the United States should be redeemed in coin on presentation to any Assistant Treasurer, and that all the currency so redeemed should be cancelled and never reissued. To effect this it would be necessary to authorize the issue of bonds, payable in gold, bearing such interest as would command par in gold, to be put out by the Treasury only in such sums as should from time to time be needed for the purpose of redemption. Such legislation would insure a return to sound financial principles within two years, and would in my judgment, work less hardship to the debtor interest than is likely to come from putting off the day of final reckoning. It must be borne in mind, too, that the creditor interest had its day of disadvantage also, when our present financial system was brought in by the supreme needs of the nation at the time. * * * *

ECONOMY AND TAXATION.

"Again, I would provide an excess of revenue over current expenditures. I would do this by rigid economy and by taxation, where taxation can best be borne. Increased revenue would work a reduction of debt and interest, and would provide coin to meet demands on the Treasury for the redemption of its notes, thereby diminishing the amount of bonds needed for that purpose. All

taxes after redemption begins should be paid in coin or United States notes. This would force redemption on the national banks. With measures like these, or measures which would work out such results, I see no danger in authorizing free banking without limit."

CONGRESSIONAL PLAN OF RESUMING SPECIE PAYMENTS.

Senator Sherman, who was the most efficient member in procuring the original legal tender act to be passed through the Senate in 1862, introduced into the Senate at the last session of Congress, "An act to provide for the resumption of specie payments." This bill after being very fully discussed and criticised in the Senate and House, was passed and approved by the President, January 14, 1875.

The first section requires the Secretary of the Treasury, as rapidly as practicable, to cause to be coined at the mints of the United States, silver coins of the usual denominations, above five cents, and redeem all the fractional currency of similar denominations outstanding, amounting to about \$40,000,000.

The third section removes the monopoly feature of the Bank act, and allows *free banking* in all parts of the United States. Whenever bank notes are issued for circulation under this new law, eighty per cent. of greenbacks are to be redeemed by the Secretary of the Treasury, for all the new bank notes issued, and he is to continue such redemption *pari passu* with new issue of bank notes, until there shall be outstanding \$300,000,000 of greenbacks, and no more. And on and after January 1, 1879, the Secretary of the Treasury shall redeem the greenbacks in coin, and to enable him to "*prepare* and provide for the redemption authorized or required in this act, he is authorized to use any surplus revenues from time to time in the Treasury not otherwise appropriated, and to issue, sell and *dispose of*, at not less than par, in coin, either of the description of bonds of the United States, described in the act of Congress approved July 14, 1870, entitled 'An act authorizing the refunding of the national debt,' with like qualities, privileges, and exemptions, to the extent necessary to carry this act into effect, and to use the proceeds thereof for the purpose aforesaid, and all the provisions of the law inconsistent with this act are hereby repealed."

This act for the resumption of specie payments is quite mandatory in its terms, and if Congress is not weak and vacilating

enough to repeal or modify the law, and the yearly revenues are kept up to a proper amount, it will prove to be much more effective to bring about resumption than is generally supposed. The first section of the act "authorizes and requires" the Secretary of the Treasury to have enough silver coins struck at the mints to redeem all the fractional currency now outstanding, and Secretary Bristow, in obedience to the requirements of the act, is now coining the silver at the mints, as fast as possible, with a view to calling in all the fractional currency and have it replaced by the small silver coins like those in common use before the war. This will not be contraction, for the reason that the silver will take the place of paper.

The third section of the act is equally mandatory in requiring the Secretary to redeem all the greenback currency, in gold coin, on and after January 1, 1879. Preliminary to this important step, it is provided as before stated, that under the free banking feature of the law, for every \$100 of bank notes issued, \$80 of greenbacks shall be withdrawn from circulation. In this way it is believed that there will be quite a large reduction of greenbacks before January 1, 1879, and possibly it may be reduced to \$300,000,000, which is the maximum amount fixed by the act for the legal tender circulation. This amount, and whatever amount above that sum is outstanding on the first of January, 1879, is to be redeemed in gold on demand, when presented in sums of \$50, and upwards. The object of the act is, by continued redemption in gold coin, to circulate \$300,000,000 greenbacks on a par with gold. Can this be done under the provision of the act? If it can be done it will cause a general resumption of specie payments by the banks and people in all their business transactions. All business will then be done on a gold basis, and laborers and operatives will be paid in gold and silver, or its equivalent, and not in an irredeemable and depreciated paper currency.

What are the means provided by the act to enable the Secretary to resume specie payments at the time specified? All the necessary 5 per cent. gold bonds which can be disposed of at par for coin, are authorized by the act, and placed at the disposal of the Secretary. These bonds are now at par and above, and if they continue so to January 1, 1879, the Secretary will, if the revenues are kept up, have ample provision made for redeeming the greenbacks in gold coin at that time. If gold coin is paid out for

greenbacks, the gold will take the place of greenbacks in the banking and business operations of the country, so that there will be only such contraction as is necessary to the stability of legitimate business. If a suitable gold reserve is retained in the Treasury against the greenbacks in circulation, there will be no loss of interest, because neither the gold nor the greenbacks bear any interest.

What is most to be feared is, that Congress will repeal the act, or so modify it as to prevent resumption at the time specified. With the known and expressed views of President Grant he would no doubt, veto any bill of that kind which may be passed during his term of office. The law will probably continue in force until 1877, and it is possible that further provision may be made to aid in causing resumption to take place January 1, 1879. But if only the present law remains on the statute book to that time, it will be found to be more efficient than is generally supposed, in bringing about the desired result, especially if the 5 per cent. gold bonds continue to sell at par for gold.

It is the general impression that the act ought to have authorized more extended *preparation* for resumption, and I am free to say that I have shared this feeling. If, however Congress gives proper support to the measure, by keeping up the revenues, it is by no means certain that the Secretary by a judicious administration of the act, will not be able to resume specie payments by January 1, 1879. The Treasury must be well supplied with gold, and an ample yearly revenue provided, in order to resume and *Maintain* such resumption. If the reserve of gold is made ample, resumption will be easy. The greenbacks not having been issued upon commercial values, but for the waste of war, will require extraordinary support in order to maintain specie payments. At present there is too great a disparity between the reserve of gold in the Treasury and the amount of greenbacks to be redeemed. Whether resumption takes place in three, five or ten years, a larger reserve of gold will be necessary, or the greenbacks must be reduced. It is perfectly plain to every practical business man, that the greenback currency cannot be redeemed in coin until the Government is able to let coin flow into business channels and *again circulate as money*, the same as it did previous to the war. Coined money must resume its place in the business of the country simultaneously with the withdrawal of the greenbacks, so that

there shall be no material disturbance to legitimate business, when resumption takes place. This can be accomplished if there is a continued surplus of gold received into the Treasury and retained there as a reserve against the greenback currency. Every one hundred dollars set apart as a reserve against an equal amount of greenbacks, would be a practical payment of them, and as neither bears interest there would be no loss of interest. Every gold broker knows perfectly well that there can be no successful resumption until there is a much larger reserve of coin, and he accordingly asks \$1.16 cents in greenbacks for a dollar in gold, but let him know that the Government holds an adequate reserve fund against the greenback currency, *and the National Banks a like fund*, the appreciation of greenbacks would be such that his occupation as a gold broker would be nearly gone, even if the gold did not pass out of the Treasury. This large reserve would be tangible evidence to him that the Government was master of the situation.

THE GOLD STANDARD.

When the business of the country is carried on upon a gold basis, and resumption is continued as an accomplished fact, all the greenbacks and National Bank notes which cannot be kept permanently on a par with gold, will necessarily have been retired from circulation, and either cancelled or held in the sub-treasury, or vaults of the banks. This surplus of paper currency, which is no doubt largely in excess of the requirements of legitimate business, ought to be cancelled and permanently kept out of circulation, so as not to hazard a continuance of specie payments.

A constitutional standard of value having been thus established, the Government, desiring to return to its legitimate function of coining money and regulating its value, will ultimately wish to rid itself of the trouble and risk incident to the issuing a paper currency and redeeming it in gold, and will finally repeal the legal tender act. This will leave the business of free banking where it belongs, open to all its citizens, to be carried on upon a gold basis, under proper legislative provisions. It would probably be better for all concerned if the legal tender act should be repealed at an earlier day, and at the same time provide for retiring the greenbacks by the issue of five or six per cent. compound interest notes, fundable in two and three years into a five per cent. ten years gold bonds. But the present resumption act has

not been passed with that object in view, and for the present it will be best to support the law as it now stands, and if possible, add to its efficiency by further legislative provisions. The banks should be required to retain half the gold interest received on the bonds deposited as security for their circulating notes as a part of their reserve, preparatory to resumption, January 1, 1879.

NEW YORK TO RESUME JANUARY 1, 1879.

The State of New York at the last session of the legislature, passed a law, Chap. 73, which was approved by Gov. Tilden, March 22, 1875, "To establish specie payments on all contracts or obligations payable in this state after January 1, 1879." This law was passed in pursuance of the principles laid down in the case of Lane County vs. the State of Oregon, 7 Wallace R. 71, that the greenbacks are not a lawful tender in payment of *taxes* imposed by state legislation. The text of this N. Y. law is as follows :

"Section 1. All taxes levied and confirmed in this State on and after January first, eighteen hundred and seventy-nine, shall be collected in gold, United States gold certificates or National bank notes which are redeemable in gold on demand.

2. Every contract or obligation made or implied after January first, eighteen hundred and seventy-nine, and payable in dollars, but not in a specified kind of dollars, shall be payable in United States coin of the standard of weight and fineness established by the laws of the United States at the time the contract or obligation shall have been made or implied."

This completes the statement of the measures now in force for resuming specie payments, which is the most important question now before the country.

TREASURY SALES OF GOLD.

The Treasury sales of gold at 16 per cent. premium, and the receipt of greenbacks in payment, and the immediate reissue of such depreciated greenbacks, at par, to pay the civil expenses of the Government, ten years after the close of the war, is an anomaly in any solvent government, and plainly shows the weakness and incompetency of Congress in not providing ample revenues to carry on the government in time of peace without resorting to any such discreditable means. The gold revenue is sufficient to keep up the sinking fund and pay the gold interest, but the currency revenues seem to be inadequate for ordinary expenses.

It is generally understood that Secretary Bristow continues his monthly sales of gold, (which ought to be husbanded for resumption in 1879,) to raise the money to pay the current expenses of the Government, because Congress has failed to provide sufficient means to carry on the Government in any other way. It is also generally understood that Secretary Bristow would not resort to this monthly "make-shift" of keeping these broken legal tender promises in circulation, if Congress provided the means of administrating the government in the old fashioned, honest way. Every reissue of these broken promises, backed by the legal tender provision, is a *forced loan* in time of peace, and is plainly in violation of the constitution.

These sales of gold at this time, when the act for the resumption of specie payments in 1879, is in full force, is not a good indication for resumption at that time. More revenue will be necessary, and it remains to be seen whether it will be provided to aid in carrying this very important measure into effect.

Secretary Bristow is believed to be sound on the main question. In his first annual report in December, 1874, he very clearly sets forth the evils of an irredeemable paper currency as follows:

"The history of the irredeemable paper currency repeats itself whenever and wherever it is used. It increases present prices, deludes the laborer with the idea that he is getting higher wages and brings a fictitious prosperity from which follow inflation of business and credit and excess of enterprise in ever increasing ratio, until it is discovered that trade and commerce have become fatally diseased, when confidence is destroyed, and then comes the shock to credit, followed by disaster and depression, and a demand for relief by further issues. The universal use of, and reliance upon, such a currency tends to blunt the moral sense and impair the natural self-dependence of the people, and trains them to the belief that the Government must directly assist their individual fortunes and business, help them in their personal affairs, and enable them to discharge their debts by partial payment. This inconveritible paper currency begets the delusion that the remedy for private pecuniary distress is in legislative measures, and makes the people unmindful of the fact that the true remedy is in greater production and less spending, and that real prosperity comes only from individual effort and thrift. When exchanges are again

made in coin, or in a currency convertible into it at the will of the holder, this truth will be understood and acted upon."

Secretary Bristow is now making preparation to retire the fractional currency and replace it with silver coin, but, without any surplus revenue, he will not be able to accumulate gold in the Treasury, and must rely, at present, on the sale of the five per cent. bonds, authorized by the third section of the resumption act. It remains to be seen whether Congress will have the wisdom and courage to pass any further laws for increasing the revenue, or authorizing any further preparations for resuming specie payments on the first of January, 1879. This is the great question now before the people. I have a strong desire to witness a general and permanent resumption of specie payments. If I live to see it accomplished, I will write a concluding chapter on the "History of the legal tender paper money, issued during the Great Rebellion." Meantime I desire to repeat that if the legal right to fund the greenbacks in the six per cent. gold bonds, in accordance with the original legal tender act, had not been abrogated, we would have reached specie payments as early as 1868, seven years ago, and without very seriously injuring the legitimate business of the country.

The wit of man, during the last hundred years, has not been able to contrive any method by which a paper currency can be circulated on a par with gold, unless it can be conveniently converted into gold coin on demand. It is not enough that "the whole property of the country" is held liable to ultimately pay the greenbacks. Such security, though ample, is too general and intangible for the purpose. This "whole property" can only be reached and applied through the slow process of taxation. On this general theory the greenbacks have been greatly depreciated for over eleven years, and the government will continue in this discreditable condition, until some *specific provision* is again made for its redemption.

It was issued as a *redeemable* currency—it is now *irredeemable*, with no certain standard of value, and not possessing the requisites of a commercial currency. Congress ought to make ample preparation for its redemption in 1879—Will it do its duty?

E. G. SPAULDING.

BUFFALO, Oct. 1, 1875.

TESTIMONIALS IN FAVOR OF THE LEGAL TENDER ACT AS A
"WAR MEASURE."

FROM HON. WILLIAM H. SEWARD,
Late Secretary of State.

AUBURN, April 26, 1869.

My Dear Mr. Spaulding:

I thank you for a copy of your book. It is written without passion or prejudice, and makes it entirely clear that in adopting a legal tender currency, the government adopted a means not merely wise, but indispensable and effective. I always wonder at the resistance which the policy encountered.

With kind respect and esteem.

Faithfully your friend,

WILLIAM H. SEWARD.

The Hon. Horace Maynard, of Tennessee, was one of the few men of the South who remained in Congress during the war, and always supported the Union cause. Having been for many years a member of the Committee of Ways and Means, he is one of the most influential men in the House. He was a member of that Committee during the winter of 1861-2, when the Legal Tender Act, the Bank Bill, and other financial measures, were matured, and he still retains that position. The following letter from Mr. Maynard, on that question, will be read with interest.

KNOXVILLE, Tennessee, Nov. 3, 1869.

Hon. E. G. Spaulding:

DEAR SIR:—Thanks for the book, as well as the copy sent me. It is well-timed and much needed. So successful were the financial arrangements during the war that people incline to believe them as automatic, accomplished, with no special credit to anybody.

Of all who were concerned, you were the one to have prepared the book—entitled as you are, pre-eminently, to the credit of the great measures which carried the nation so triumphantly through the financial struggles. While I did not feel at liberty to participate very actively in the passage of acts which must affect other portions of the country far more seriously than that which it was my fortune to represent, it gratifies me to remember that both in the Committee of Ways and Means and in the House they received my unfailing support.

As a result we have now the best currency ever known in the nation. *Let it now be made convertible into coin at the pleasure of the holder, and nothing would be left to be discussed.* Why this has not been done, why it is not done, why it should not be done, I confess, after all I have read and heard, I am not able to see.

One of these days some bold man will take the step, and then everybody will wonder why it had not been taken years before. Would that you were again at your place in the House.

I am, very truly yours,

HORACE MAYNARD.

FROM THE HON. CHARLES SUMNER.

On the Finances.

BOSTON, August 3, 1869.

MY DEAR SIR:—You have done a good service in preparing your book; nor is there anybody to whom this duty belonged more than yourself. In all our financial trials, while the war was most menacing, you held a position of great trust, giving you opportunity and knowledge. The first you used at the time most patriotically, and the second you use now for the instruction of the country.

I am not content with the long postponement of specie payments; I BELIEVE THAT THE TIME HAS COME FOR THIS BLESSING, and I begin to be impatient when I see how easily people find excuses for not accepting it.

Believe me, dear sir,

Very truly yours,

Hon. E. G. SPAULDING.

CHARLES SUMNER.

FROM ERASTUS CORNING.

Also a member of the Committee of Ways and Means at the time the act was passed.

NEWPORT, August 30, 1869.

Hon. E. G. Spaulding, Buffalo :

DEAR SIR:—Your favor of the 14th ult. was forwarded from Albany to this place. Also a copy of your "Financial History of the War." I have read it with much interest, and can say that I consider it a fair and impartial history of the doings of the Committee of Ways and Means and of Congress while I was a member, and since as far as I understand their action. I am pleased that you have seen fit to place their doings on record. I thank you for the copy sent me. Yours very truly,

ERASTUS CORNING.

HOUSE OF REPRESENTATIVES.

Committee of Ways and Means.

WASHINGTON, D. C., Feby. 25, 1866.

DEAR SIR:—I have yours of the 23d inst., and have mailed to you to-day a copy of Mr. Sumner's speech on reconstruction, also the *Globe* which contains my own, on the Finance Bill. It seems to me that you have a right to be well satisfied with the part you took in initiating the financial measures which have carried the country so successfully through the war. We are somewhat excited here, but I have faith that everything will come right in a little time if we are discreet in our action in Congress.

Yours with great respect,

Hon. E. G. SPAULDING.

S. HOOPER.

FROM SENATOR SHERMAN.

MANSFIELD, Ohio, June 14, 1869.

MY DEAR SIR:—I have received and partially read, with great interest, your Financial History of the War. It recalls many interesting events

almost forgotten, and is therefore like an old friend. I am much obliged to you for it, and will give it a careful reading and a place in my *selected* set of books.

Very truly yours,

Hon. E. G. SPAULDING.

JOHN SHERMAN.

FROM E. M. STANTON.

Late Secretary of War, a short time before his death.

WASHINGTON, November 28, 1869.

MY DEAR SIR:—I hasten to render my thanks for a copy of your “History of the Legal Tender Act,” and the accompanying note, received this morning.

No one could more fully appreciate than I did, and still do, the vital importance of the financial measures adopted for maintaining the government during the war. On all occasions, in private conversation and in public assemblages, I have endeavored to do them justice and cause them to be estimated as I estimated them. *Without them I do not see how our armies could have been raised, equipped, clothed, fed, transported and kept in the field until the enemy were subdued.* But my attention was too closely absorbed by military affairs for me to discriminate between the several views discussed, or to observe to whose sagacity and energy the country was most indebted. A hasty glance through your History has enabled me to see that you have afforded means for correct judgment upon the interesting points involved.

With sincere regard, I am,

Truly your friend and obedient servant,

Hon. E. G. SPAULDING.

EDWIN M. STANTON.

FROM HANNIBAL HAMLIN.

Late Vice-President, and President of the Senate at the time the Act was passed.

BANGOR, November 5, 1869.

MY DEAR SIR:—Please accept my cordial thanks for your “Financial History of the War Legal Tender” which you sent me. I have given it a hasty examination, but enough to see that it is a full and true history of the subject of which you treat, presenting the facts connected therewith in their chronological order. A work to set the public judgment right at this time, and for reference it will be truly valuable.

I am surprised to know that no one of the historians of the times has furnished the facts and evidence which you have so fully and clearly represented.

Yours truly,

Hon. E. G. SPAULDING, Buffalo, N. Y.

H. HAMLIN.

FROM HON. W. W. CORCORAN.

The Banker who negotiated the United States Loans during the war with Mexico in 1846-47.

WASHINGTON, September 18, 1869.

MY DEAR SIR:—Many thanks for your kind letter of the 9th, with a copy of your “Financial History of the War.” I have only had time to glance over the index. It will be very valuable and interesting volume and I shall

have pleasure in perusing it. *No one can doubt that the making the issues of the United States a legal tender was the great element of success. Without it the war could not have been carried on six months longer.* Again thanking you for thinking of an old friend,

I am very sincerely yours,

W. W. CORCORAN.

E. G. SPAULDING, Esq., Buffalo, N. Y.

FROM BENSON J. LOSSING,

Who published a valuable Illustrated History of the Military Operations during the Great Rebellion—in three volumes.

THE RIDGE, DOVER, N. Y., Dec. 27, 1869.

Hon. E. G. Spaulding :

MY DEAR SIR:—I cordially thank you for giving me the opportunity to peruse your valuable History of the Legal Tender Paper Currency issued during the late Rebellion—a measure which more than any other, contributed to the salvation of the Republic from great disaster. Without money suddenly and amply created, there could have been no army.

That measure was a novelty—a paradox in the history of nations—*a forced loan, with the cordial consent of the lenders!* The sterling common sense of the loyal people saw it was a necessity, and accepted it with cheerful acquiescence; and every man of common sense now sees that the everlasting good which the measure wrought, outweighs a thousand fold the temporary evils which it has occasioned.

It appeared to me at the time (and has never appeared otherwise) that the originating and perfecting of that measure was one of the wisest acts of true statesmanship that were displayed during the civil war, and will ever be regarded as a precedent of great value to the people of republics. The clamor against the measure, during the war and since, was and is simply the voice of selfish partizanship, and the cry of “unconstitutionality” was only the cry of disloyal politicians against the efforts for the salvation of the republic. Wisely did Madison declare that public necessity takes precedence of all Constitutions; and Mr. Lincoln as wisely said that the Union is older than the Constitution, and took measures outside the letter of the Constitution to save it.

The philosophic historian and statesman of another century, with vision unobscured by the smoke of conflict, will point to the Legal Tender Paper Money Act as one of the chief instrumentalities which preserved for themselves and their children the blessings of free institutions ; and among the names of the statesmen to whose wisdom and energy the nation is chiefly indebted for the measure, yours, sir will ever appear most prominent.

I am, dear sir, with gratitude for your public services,

Your friend and fellow citizen,

BENSON J. LOSSING.

HON. J. S. MORRILL,

One of the most effective men on the Committee of Ways and Means when the Legal Tender Act was passed.

STAFFORD, Vt., June 9, 1869.

MY DEAR SIR:—Your favor of the 5th inst. came to hand yesterday, and your book on the Financial History of the War, has just arrived. Of course I have not yet had time to read it, but I have no doubt of its having received all the care necessary to make it valuable, and I know of no one who could more acceptably perform the service. You and I differed as to the policy of issuing the Legal Tender notes. Forecasting somewhat the train of difficulties in the way—such as increasing the ultimate debt—disorganizing trade and the final retirement. I then thought it possible to avoid their issue. Now I do not discuss the question because there are so many unpatriotic and discordant utterances on the subject, and I may be in error, but I have never had a doubt in my own mind that we could have furnished ample means to the Government and saved hundreds of millions of our public debt by reducing the discount on credit to the minimum final through some such course as that I advocated at the time. Your course then was patriotic and has been since, *and some of the errors since committed I know have not had the sanction of your judgment.* Others have gone further than you proposed, and there are yet others who even now do not propose to halt. But I am hopeful that we shall in due time emerge from our present unhappy condition and get our finances in a condition so that if another war was necessary, and I trust that day may be far off, we could bear our part without extreme trial. Please accept my thanks for the copy of your work.

Very truly yours,

Hon. E. G. SPAULDING, Buffalo, N. Y.

JUSTIN S. MORRILL.

HON. SAMUEL HOOPER,

A member of the Committee of Ways and Means.

BOSTON, September 5, 1869.

MY DEAR SIR:—Please accept my thanks for your book on the finances during the war, which has been received. I have not had time to read it, but have looked through it curiously, and saw that you had not departed from the principles which influenced us when we were striving so hard to get the financial bills through the Congress. I shall give the book a thorough reading before Congress meets. Specie payments seem as far off as ever. *Mr. Boutwell seems to believe the reduction of the debt, with the increase of business will bring about resumption in due time. He remarked to me a few days since that with the present tariff and internal revenue laws, the whole debt could be paid in twelve years.* I am curious to see what financial policy he will announce in his annual report to Congress. I have great distrust of the action of Congress unless the Government advocate measures to restore the value of the currency. A positive policy on the part of the Government strengthens public opinion, and that operates powerfully on the action of Congress. * *

Yours with regard,

Hon. E. G. SPAULDING.

S. HOOPER.

mo-lities have already declined to a low point; business men have generally but light stocks on hand, and for months have been circumspect in their operations. The possibility of loss through the appreciation of the current money or the decline of prices will therefore be now as little as we ever can expect it to be."

HON. E. W. LEAVENWORTH.

SYRACUSE, Oct. 31, 1869.

Hon. E. G. Spaulding,

MY DEAR SIR:—On my return from New York, last evening, I found your letter of the 26th, and also your work on our finances as affected by our legislation in the early years of the rebellion. I have, of course, as yet only given it a very hasty examination, but it is sufficient to perceive that you have made a most valuable contribution to the history of the country during that most eventful period. And what greatly enhances its value is the fact that, while its importance cannot be overlooked or gravely over-estimated, it has been almost ignored by all the various historians of the great rebellion. Your position in Congress, and the part you took in the great financial questions of the day, your familiarity with the whole subject, and your tastes, all peculiarly fitted you for this important work, and you seem to have exhausted the subject. I hope, in justice to yourself and also for the general good, that you will see that a copy of the work is put in most of the important libraries of the country, for the future benefit of the historians of that period. There are great lessons to be learned from our experience, and the "almighty dollar" is the great power, without which campaigns are never successful. Thanking you for your kind remembrance, I remain,

Most truly yours,

E. W. LEAVENWORTH.

HON. D. A. WELLS.

TREASURY DEPARTMENT, }
WASHINGTON, Sept. 25, 1869. }

Hon. E. G. Spaulding,

MY DEAR SIR:—When in Boston last week I saw for the first time a copy of your "Financial History of the War," and was intending to order it immediately on my return home, when your letter and the book in question arrived. I have not had time to more than glance at its contents; I know, however, that it supplies an important element of our recent history, and that the work has been well done. Please receive my thanks for your kind remembrance. I have thus far read everything that you have published that I have seen, and agree with you fully upon all matters, with a single exception, and that is this:

I do not believe that with the present volume of currency, and the consequent maintenance of abnormal prices, that resumption of specie payments is practicable by any method. I do not believe that any legal enactment compelling the Treasury or the banks to retain and accumulate gold will produce a sufficient sum to meet redemption, or that gold could be kept here

for any length of time after redemption had been commenced, on any basis of accumulation. If you, in conjunction with your ideas of accumulating gold, will advocate a measure of contraction, I am with you, heart and hand.

Have you read a recent work by Bonamy Price, professor of political economy at Oxford, Eng., entitled "Principles of Currency?" If not, allow me to recommend it to you as worthy of perusal, although I do not fully agree with all the propositions contained in it.

I do not know how valuable a report I can get up for this year. I sometimes feel almost discouraged, as the results of investigation are so paradoxical and unsatisfactory. It sometimes seems to me that the more I investigate and discuss these matters the less I know; but, at the same time, I have an abiding confidence that we shall in the end manage to struggle through all our difficulties, but perhaps at the cost of a sad experience. Trusting that I may have, at no distant day, the pleasure of a personal interview,

I remain, yours very truly,

DAVID A. WELLS.

HON. AMASA WALKER.

NORTH BROOKFIELD, Sept. 1, 1869.

Hon. E. G. Spaulding,

DEAR SIR:—Yours of the 26th is just at hand, and I have also the pleasure to acknowledge the receipt of your "History of the Legal Tender Paper Money issued during the great Rebellion." I have glanced at it sufficiently to see that it is a valuable contribution to our financial literature—a work that will be found very convenient and useful for reference in the future. I am much obliged to you for it, and shall peruse it at my leisure. I arrived at home, from my summer's tour to the Gulf of St. Lawrence, last evening, so that at present I am much occupied.

I am glad you took so strong ground in your letter to Mr. McCulloch in favor of restoring the currency to par with gold. It is, by far, the most serious matter now before the nation. What the action of Congress, at its next session, will be, no one can predict. There will be a strong effort to further inflate, and if that cannot be done, then to hold on to the present amount of currency. I think, with you, that the intervention of the Supreme Court may be the only way in which the country can be relieved; and, undesirable as that mode of relief is, it will be far better than to float on under our depreciated monetary system.

I shall ever be ready to afford any assistance in my power toward securing a gradual but efficient contraction of the circulating medium. I don't know whether you saw my plan, proposed last winter, of withdrawing the greenbacks by issuing compound interest notes instead; if so, I should like to know how it strikes you.

I am, yours truly,

AMASA WALKER.

HON. ALEXANDER H. RICE.

BOSTON, Oct. 27, 1869

Hon. E. G. Spaulding, Buffalo, N. Y.

MY DEAR SIR:—I am very glad to possess the volume received from you this morning, and thank you for sending it to me. I have not yet had time to more than glance at its contents, but I know that no one is more competent than you are to treat the subject intelligently and exhaustively.

I am, dear sir, yours very truly,

ALEX. H. RICE.

MAJOR-GENERAL SHERMAN.

WAR DEPARTMENT,
WASHINGTON, Oct. 12, 1869. }

DEAR SIR:—With many thanks for your kindness in sending it, I beg to acknowledge the receipt of a copy of your lately-issued "History of the Legal Tenders." I have not been able to more than glance through it here, but have sent it down to my house, where I can read it more leisurely.

In answer to your request for my views upon the work, I can only say now, that the magnitude of the subject, and its importance to the future, certainly warranted, if it did not actually demand, its publication; and it is equally certain, from your known connection with the measure from its inception to its final adoption, that you were the one to collect, prepare and send forth its history. Very truly yours,

W. T. SHERMAN,

Gen'l and Sec'y of War.

Hon. E. G. SPAULDING, Buffalo, N. Y.

GENERAL BUTLER.

BAY VIEW, near
GLOUCESTER, Aug. 17, 1869. }

DEAR SIR:—I have the honor to acknowledge the receipt of your "Financial History of the War," which I intend to examine with the care its merits require. I think it will fill a need in the financial history of the country. There can be no more abstruse problem than our present financial relations, and anything which shall show the origin of our present system, so as to elucidate the principles upon which it operates, will be a benefit to the country. With many thanks for your courtesy,

I am, yours truly,

BENJ. F. BUTLER.

Hon. E. G. SPAULDING, Buffalo, N. Y.

HON. JAMES A. GARFIELD.

WASHINGTON, D. C., June 5th, 1869.

Hon. E. G. Spaulding, Buffalo, N. Y.

DEAR SIR:—Yours of the first, together with your "Financial History of the War," came duly to hand. Please accept my thanks for your kind con-

sideration. I know of no man so well fitted as yourself to write that history, and I am delighted that you have performed what I am sure, with your sound views on the subject, will prove a service to the whole country in the work you have accomplished.

Very truly yours,

J. A. GARFIELD.

HON. EDWARD HAIGHT,

The only Democrat in the House who voted for the Legal Tender Act.

BANK OF THE COMMONWEALTH, }
NEW YORK, Oct. 29, 1859. }

Hon. E. G. Spaulding, Buffalo, N. Y.

DEAR SIR:—Some time has elapsed, and more than I intended there should, between the receipt of your book and its acknowledgment; allow me first to thank you for it, and then to say that having examined it carefully, I regard it as a most valuable manual of the financial events of the War—events that have culminated in a gladdening peace, and that are yet to exert an influence upon the monetary affairs of our own country—and perchance of the world—most useful and salutary or most mischievous and pernicious, according as wisdom or folly may most prevail in our councils.

Highly as those of us who participated in the financial events of the war, must regard your book to the future historian, who will be called to weave them into a narrative of the deepest interest to future generations; it will be more than doubly valuable. Sincerely congratulating you therefore, and renewedly thanking you for my copy, I remain with the highest respect,

Yours very truly,

EDWARD HAIGHT.

HON. J. O. PUTNAM.

BUFFALO, June 26, 1869.

MY DEAR SIR:—I thank you for your volume vindicating the "Truth of History." It is not a new idea to me, that to you is attributable, in a very large measure, the adoption of the "Legal Tender System" of our War Finance. You have rendered a valuable service, and your book will always be an authority on the subject of which its treats, and which it seems to me to exhaust.

It is a rare distinction to be so identified as are you with that policy, without which the late struggle of the government had been a failure.

I most heartily congratulate you. With renewed thanks for your courtesy,

I am, as ever, very truly, your old friend,

JAMES O. PUTNAM,

Hon. E. G. SPAULDING.

HON. A. M. CLAPP,
Public Printer Washington.

OFFICE OF THE CONGRESSIONAL PRINTER, }
WASHINGTON, Oct. 18, 1869. }

MY DEAR SIR:—I am in receipt of a copy of your “History of the Legal Tender paper money issued during the Great Rebellion,” for which please accept my sincere acknowledgments.

The great financial achievement which this work so clearly and ably presents to the public mind, is the most wonderful known to the history of nations, and I but do you simple justice when I say, that, to your financial wisdom and skill the country is in a large degree indebted for its accomplishment. It detracts nothing from the honor due to the brave officers and soldiers who rallied in defence of the Union and Constitution when in peril, and through whose courage and patriotism our national salvation was perfected, to say that like credit is due to the Statesmen who grappled with the great financial problem on the floor of Congress, and solved it in law, so successfully that the Ways and Means for prosecuting the war, subduing the rebellion, restoring peace, and extending the blessings of freedom to all the people of this nation, were obtained without recourse to other agencies than the national faith.

Your able exposition of this question in the work before me—a question upon which hung the national life—entitles you to the gratitude of the American people.

I am, sir, with much respect,

Your ob't servant,

Hon. E. G. SPAULDING.

A. M. CLAPP.

J. D. F. LANIER,
Banker.

NEW YORK, May 6, 1873.

E. G. Spaulding, Esq.

DEAR SIR:—Yours of the 24th April is received, as also the book for Mr. Harmon, for which please accept my thanks. The Book shall have my careful attention.

The fact is I do not see how we could have got through with the late war, but for the Legal Tender Law.

We had no money, no credit at home or abroad. The Tender Law was absolutely necessary to our continued existence. No one has suffered by it, but all have gained. The Treasury note law would have been a dead letter but for the legal tender act.

Yours, truly,

J. F. D. LANIER.

HON. H. L. DAWES,
Senator from Massachusetts.

PITTSFIELD, Mass., Nov. 6, 1869.

Hon. E. G. Spaulding,

MY DEAR SIR:—I am very much gratified that you should remember me with a copy of your book, "The Financial History of the War." It does, indeed, supply a very important omission in all other histories of the war, and will become at once a book of reference. It is also a monument to your own statesmanship in the darkest hour of our trial, of which you may well be proud, and to which you have a right to call the attention of your countrymen.

I am, truly yours,

H. L. DAWES.

GOOD MANAGEMENT OF FRENCH FINANCES.

The following facts relating to the currency of France are compiled from documents accessible to all the world:

1. The aggregate circulation of notes of the Bank of France, including "notes payable to order," was on

September 11, 1873.	2,890,244,276 francs.
September 9, 1875.	2,361,819,283 francs.

Decrease.....	528,424,993 francs.
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2. Counting five francs as equal to one dollar, this is a contraction of \$105,684,909 in twenty-four months.

3. The notes of the Bank of France are the only paper money which circulates in France. They are a legal tender, are paid and received as the equivalent of specie, and for a year or more have been as good as gold.

4. The maximum note circulation of the Bank of France was reached on October 31, 1873, when it was 3,071,000,000 francs, or \$614,200,000. The total on September 9, 1875, as above given, is equal \$472,400,000, being a contraction of \$141,800,000 in less than two years.

5. This contraction is not accidental, like the trifling reduction which has taken place during the current year in our legal tender and bank note issues. In the language of the inflationists, it is "forced."

6. During the war and the payment of the indemnity, the French Government borrowed of the bank an immense sum in notes, for which it paid only one per cent. per annum interest, that rate being barely a sufficient compensation to the bank for manufacturing and handling the notes.

7. For the past two years the French Government has been steadily paying its debt to the bank, preferring to fund its one per cent. loan into five per cent *rentes* rather than encounter the risks of an inflated paper circulation.

8. The total amount of this one per cent. war debt due from the government to the bank was, on

September 11, 1873.	1,374,052,500 francs.
September 9, 1875.	649,620,000 francs.

Reduction.....	724,432,500 francs.
Equal to.....	\$144,886,500

9. By a recent treaty with the bank, the government engages to pay off the entire amount of this war debt by the end of the year 1879.

10. The bank is pledged to resume the full payment of all its liabilities in coin on Jan. 1, 1878, by which time the government engages to reduce its war debt to \$60,000,000.

11. In the interval the policy of the bank is not "to make the volume of the currency equal to the wants of trade," but on the contrary, it has steadily contracted its advances to the mercantile community by maintaining a higher rate of discount than that ruling in the open market. As a consequence of this policy the discounts of the bank have diminished as follows. They were on

September 11, 1873.....	948,569,258 francs.
September 9, 1875	505,834,586 francs.

Decrease.....	442,734,667 francs.
Equal to.....	\$88,546,983

12. At the present time the rate of discount at the Bank of France is four per cent., while that at the Bank of England is only two, and the current rates in Paris outside of the bank are from $2\frac{1}{2}$ to $3\frac{3}{8}$.

13. In consequence of this double operation, *i. e.*, the repayments of the government and of the private debtors, the circulation has diminished, as we have shown above, and the specie in possession of the bank has increased as follows: It was on

September 11, 1873.....	708,869,992 francs.
September 9, 1875.....	1,618,948,228 francs.

Increase.....	910,078,236 francs.
Equal to.....	\$ 182,014,647

The above summary embraces, we believe, all the important facts in relation to the changes which have been made in the paper circulation of France. Bold and energetic as the action of the bank has been, no injurious effects on trade are visible. General business for two years past appears, in fact, to have been much better in France than it has been in either England, Germany, or the United States. No candid man can extract from the conduct of the French Government and bank a particle of countenance for any of the quack money schemes which have been broached among us. They have fixed a day for resumption, as we have done, but not without making provision for decreasing their paper and increasing their specie. They have not aimed at a cheap currency, with the maximum of paper and the minimum of coin. They have not confounded gold and government bonds together, and deluded themselves with the idea that there is no essential difference between the two. The end to which the Bank of France is aiming is to make its notes at all times and under all circumstances convertible into specie, and to accomplish that object they know that they cannot safely issue all the notes that the business community will absorb in times of confidence, nor do they trust to any other resources in time of difficulty than an ample stock of the precious metals in their vaults. This, as we understand the matter, is the lesson taught by English, German, Dutch and French banking—always to have on hand a full supply of the exportable precious metals in order to maintain the credit of the non-exportable promises to pay those metals.

HON. DAVID WILDER,
State Treasurer of Massachusetts.

STATE HOUSE,
BOSTON, Sept. 16, 1864. }

Hon. E. G. Spaulding, President F. & M. Nat. Bank, Buffalo, N. Y.

DEAR SIR:—Your note of the 11th inst. was duly received, and the interesting volume prepared by you has since come to hand and been looked over, so far as I have been able to command the necessary time. I hardly need say that I am greatly obliged for both, though I think I am in duty bound to assure you that, to those of us who care to watch the financial machinery of the country, nothing could be more opportune or interesting than your account of the steps by which we are able to make the industry of our people available, and carry on the war so much better than could be done by our foes, who lacked the sinews which you and your associates supplied. Your book should have a wide circulation, and, after being read, many persons will realize, as now they do not, how much you had to contend with, and how fatal to our national life would less energy on your part have proved.

I have been more or less intimate with the finances of Massachusetts since 1840, as clerk in the Treasury and State Auditor, to which office I was appointed when it was created in 1849, and I can understand the work you did for us. I should have been glad if our idolatrous worship of gold as a currency (not as money) had been less, and that it could have been seen that all we had to do was to create a debt or lay a tax, and that the most direct and, under the circumstances, perhaps the most equitable course, was to make the debt.

Free banking, with prompt, par, central convertibility of notes and checks, is what the country needs of all things ; having first, of course, an immediate return to the specie standard, or change from the debased or seventy-five cent dollar to one worth one hundred, providing that all contracts now existing and payable in the degraded currency shall be paid in that when due, or in an equivalent of the other, so that there shall be no real change in the relation between parties, as there was when we abandoned specie and substituted paper, with the idea that legislation could affix or determine its value.

If interest had been provided for on the legal tenders, and the notes taken and paid as currency *for all purposes*, and convertible always into long bonds with gold interest, there would have been no real harm done. At any rate, legislation could not have swindled the then creditors by depriving them in many cases of one-half the real value of their claims. Legal tenders without interest were bad, while with interest they would have been doubly good.

Truly and respectfully yours,

DAVID WILDER.

GEORGE S. COE, ESQ.

AMERICAN EXCHANGE NAT'L BANK, }
NEW YORK, Sept. 28, 1875. }

E. G. Spaulding, Esq.,

DEAR SIR:—Your favor of the 25th inst. is at hand, with pamphlet enclosed, which I have only time at the moment hastily to read. I will give it a more careful perusal, and send you, as desired, such comment upon the subject as my familiarity with the early financial events of the war may suggest. I fully agree with you that the two great errors of Secretary Chase were, first, his refusal to use the instruments and expedients that the experience of commercial nations has made necessary for banks in distributing the money which our associated banks loaned the government. Second, that he assented* to the suggestion of the brokers, whom he afterwards employed to sell the government bonds, by divorcing the *currency* debt from the *funded* debt, so that the former could no longer be converted into the latter, and was therefore left to indefinite deterioration. This was a clever device to facilitate the sale of bonds, but a fatal one to the currency. I do not believe it possible to restore specie payments otherwise than by re-enacting this funding power and cancelling every note thus exchanged. But the public feeling of obligation has become so weakened that a rate of interest will be insisted upon too low to accomplish the object.

Yours truly,

GEO. S. COE.

H. BOWLBY WILLSON, ESQ.

90 DREXEL BUILDING, }
NEW YORK, Oct. 1, 1875. }

Hon. E. G. Spaulding, Buffalo, N. Y.

DEAR SIR:—I am in receipt of advanced sheets containing the introduction to the second edition of your valuable work on “The Financial History of the War,” for which attention please accept my best thanks. The second edition, and especially the introduction to it, appears before the public very appropriately at this time, when the currency question is rapidly assuming national importance.

I have read the introduction twice over, and have to say “it is all gold and no dross.” It makes entirely clear who was responsible for the financial policy of the government which led to an over issue of irredeemable paper money, which produced the fathomless abyss in which the country is now floundering. In 1869, I pointed out in the columns of the New York *Herald* this erroneous policy; but I was then, and so remained, until I received your new introduction, quite in the dark as to the originators of that policy and the exact *modus operandi* by which it was worked out to its fatal results on our whole financial and commercial system. This introduction, I repeat, comes most acceptably at this time, and adds materially to the interest of your “Financial History.”

On the principles of paper money or currency proper, we entirely agree, as indeed all students of political economy must—those principles being estab-

lished by scientific and analytical reasoning. If there is any room for difference, it may possibly be found in devising the safest and best method for the issue and regulation of such money. It now more than ever seems to me to be desirable that we should adopt the English and French systems of withdrawing the power from the banking corporations to issue currency notes, and lodge the same in the hands of a department of the government, so constituted that, like the supreme bench, the whole monetary system of the country may be, so far as possible, removed from the vortex of party politics. Professor Price, in his Oxford lectures, characterizes the issue department of the Bank of England as "a government department carried on on the promises of the bank." I would not place any bank in that responsible position.

The question, in my judgment, should now be permanently settled by a constitutional amendment, leaving no option to Congress but to pass laws in conformity with its provisions; and one should be, that no more paper money shall at any time be issued than can be maintained at par with gold. There is no other method, as yet known, whereby the amount of such money necessary to meet the requirements of business can be determined. It is the simple natural law of supply and demand, the indications of which are always clear and easily understood by those issuing circulating notes. Under such a system the legal tender character of government notes may be dispensed with, and our national paper, like our gold, will pass everywhere on a par with each other. Excuse this digression, and believe me to remain,

Very truly yours,

H. BOWLBY WILLSON.

HON. ISAAC SHERMAN,

Political Economist.

18 WEST 20TH STREET.
NEW YORK, Oct. 10, 1875. }

Hon. E. G. Spaulding:

I have received and read with great pleasure the preface to your new edition of "The History of the Legal Tender Act." Your work will not only do good at present, but it will remain as an historical authority on the subject, and cannot fail to be an important contribution to the reliable records of our recent war. It will also put in a compact and accessible form the most forcible arguments for a return to specie payments. I doubt if you know how much good and effective results your work is doing, and I hope that you will continue to make new editions—at least until we shall have a resumption of specie payments.

I wish to call your attention to a fact that it is possible may not have been brought to your notice. In the case of Roosevelt vs. Meyer, 1 Wallace, 512, involving the constitutionality of the legal tender, a motion to dismiss was granted; and in the case of Trefilcock vs. Wilson, 12 Wallace, 687, involving the same question. The case of Roosevelt vs. Meyer was fairly and squarely submitted. Now, have you ever reflected what would have been the decision in the case of Roosevelt vs. Meyer, in the winter of 1864, if the

case had not been dismissed? If you will examine the list of judges, you will see that seven members of the court would have voted against the constitutionality of the law. I suppose the case was undoubtedly dismissed for political reasons, and not on law grounds. Mr. Chase was still Secretary of the Treasury, and the war progressing, and an adverse decision would have entailed great financial disturbance while we were confronting the enemy. Mr. Roelker, the counsel of Mr. Meyer, has told me that Mr. Chase was very anxious that the case should not be decided on its merits, and that it should be dismissed. It is probable, considering the later overruling of the dismissal, that the dismissal was a *judicial dodge*. The court quite probably, therefore, has been once manipulated and once packed on the legal tender question. It seems to me that in some of your future editions of your work it would be well to insert in full the conflicting decisions of Roosevelt vs. Meyer and of Treflcock vs. Wilson. These decisions are very instructive, and will show to those who hereafter come upon the political stage not only what Congress will do in great national emergencies, but also what the highest court will do in such emergencies. I do not mean by this language to condemn either Congress or the judiciary, because I have always said that if it was absolutely necessary to save the country to violate the constitution, I would not hesitate to violate the constitution. The constitution was made for the country, and not the country for the constitution; and the absolute safety of the country must therefore be paramount to the constitution. Still, I think it best to give posterity all the facts, and I think you can with propriety say that your only hope is that future generations, in a like great emergency, will only act as wisely, discreetly, magnanimously and patriotically as the people in your generation have acted against the great slave rebellion.

Yours very respectfully,

ISAAC SHERMAN.

HON. JOHN J. KNOX.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY.
WASHINGTON, Oct. 29, 1869.

MY DEAR SIR:—I have received your note of the 25th inst., and also the volume you were so kind as to send me. "Truth is stronger than fiction," and the "History of the Legal Tender Paper Money used during the Great Rebellion," and the results are more interesting and wonderful than any work of fiction.

You have done yourself great honor by your services as a financial general during the rebellion, and in the preparation of this little volume you have furnished a most convenient record of the sayings and acts of those servants of the people whose duty it was to supply the means with which to protect and finally save the country. Please accept my thanks for the volume, and believe me,

Very truly yours,

JNO. JAY KNOX.

Hon. E. G. SPAULDING, Buffalo, N. Y.

HON. W. P. FESSENDEN.

PORTLAND, Aug. 7, 1869.

Hon. E. G. Spaulding,

MY DEAR SIR:—On my return from a short visit to the eastern portion of our state, I found your letter of the 21st of July, and the book referred to therein. I have not yet had time to examine the history, but, from your close connection with the financial events of the war, I have no doubt of its correctness and value. As a participator in those events, I am able to testify to the want of comprehension of all previous writers upon the subject. You were entirely able to fill the void, and I have no doubt you have done so. Please accept my thanks, and believe me,

Truly yours,

W. P. FESSENDEN.

HON. JOHN COBURN,

Member of Congress from Indiana.

HOUSE OF REPRESENTATIVES,
WASHINGTON, D. C., April 12, 1870. }*Hon. E. G. Spaulding,*

DEAR SIR:—Your letter, with "Financial History of the War," came duly to hand. Please accept my thanks for the work. It is really an invaluable portion of the great history of the great struggle for national life. Your opportunities for knowledge of the subject being of the finest character, posterity, as well as the present age, must owe you a debt of gratitude for this timely service in fixing in permanent form a clear and concise statement of all the facts. The conduct of our finances and the struggle in the field are equally creditable and memorable, and must be forever linked inseparably together as exhibitions of the energy and genius of our race.

Yours truly,

JOHN COBURN.

A. R. ENO.

NEW YORK, March 29, 1864.

Hon. E. G. Spaulding,

DEAR SIR:—If the truths in your letter could have been placed before the public at an earlier day, in the clear and forcible manner in which you have stated them, I think they would have so influenced public sentiment that we should have been spared a portion of the mischief resulting from present inflation. Mr. Chase has done well. I hope his great success will not render him indifferent to wise counsel. I thank you for sending me the letter, and am,

Very truly, your obedient servant,

A. R. ENO.

F. A. CONKLING.

NEW YORK, Oct. 17, 1875.

Hon. E. G. Spaulding,

DEAR SIR:—Accept my hearty thanks for the advanced sheets of the "Introduction" to a further publication of your "Financial History of the

War of the Rebellion." I am glad that you contemplate the issuing of a new edition of a work, for the preparation of which you are fitted above all other men. Your position as Chairman of the Sub-committee of Ways and Means of the House of Representatives, at the time the legal tender act was passed, placed you in possession of facts which, from the nature of the case, others could not know.

The Thirty-seventh Congress was one of the most statesmanlike and patriotic bodies which ever assembled in this or any other country. It promptly apprehended the magnitude of the questions before it, and to the utmost of its ability met them in the most efficient manner. It was, perhaps, the greatest calamity of the war that the financial policy established by that Congress was not cordially seconded and continued by successors and by the head of the Treasury Department.

Mr. Chase was pressed for that position because of the regard of the people for his high personal reputation. He had been an original free-soiler, and had won the favor of the men of advanced views upon that subject. He had been originally chosen to the United States Senate by Democratic votes on the supposition that his views on financial and analogous questions were acceptable to the Democratic party as it was then constituted. He was a conspicuous candidate for the presidential nomination in 1860, and, in the estimation of many, presented the ideal of an American statesman.

Upon the election of Mr. Lincoln, it was the demand of Mr. Chase's friends that he should occupy a leading position in the cabinet. The President-elect was himself disposed to comply with this desire. At the request of Mr. Horace Greeley, I accompanied him on a visit to Mr. Lincoln, to urge that Mr. Chase should receive the portfolio of the Treasury. We had been led to believe that another choice had been made for this all-important position. We represented to Mr. Lincoln that a struggle was imminent which would be decided in favor of the party whose resources held out the longest, and accordingly that a minister of finance was required who would command, in the highest degree, the public confidence. Mr. Chase, as we believed, possessed that confidence as no other man did whose name was under consideration.

The day following this interview I received a note from Greeley, informing me that Mr. Chase had declined the offer of the Treasury Department. I lost no time in calling upon him at his hotel. Mr. Chase pleaded that his education and habits had not fitted him for the duties of the place; and, he added with his accustomed courtesy, that if he had had an education like my own, he would feel less distrust of his qualifications for the office. His appropriate sphere he believed to be the Senate, to which he had just been chosen for the full term of six years. In response, I assured him that his friends regarded it as his duty to accept the Secretaryship of the Treasury; and furthermore, that he could at all times count upon the support of every patriotic man whose services he might desire to command. Mr. Chase finally said, substantially, that he would be guided by the convictions of his friends.

A few days subsequently on my return to New York, I took the liberty to

suggest to him the advisability of inviting proposals for what remained of the twenty-five million loan which had been authorized in the closing days of Mr. Buchanan's administration. At his invitation I visited Washington, but I found him disinclined to offer the loan except upon terms which I felt confident could not then be obtained. It was apparent that he had thus early become a convert to the so-called paper policy. Finding it of no use to argue the point, I made no further attempt to influence his views. It was an acute disappointment that the man whom we had regarded as the strongest upholder of a stable financial system, had so utterly abandoned that idea. If he had depended on loans properly secured by taxation, and had placed his reliance upon the patriotism of the country, it is my belief that the credit of the nation would have been maintained upon a permanent foundation, and the depreciation of our currency would have been, in a great measure, obviated. The machinery of our banks was at his disposal, and never had a more generous disposition been shown by the monied interest of any country to support the measures of a financial minister.

The two loan acts passed at the extra session of the Thirty-seventh Congress provided for the modification of the sub-treasury law, for the express purpose of enabling the Secretary to avail himself of these facilities. But he refused to accept them, and persisted in demanding that the banks should pay *in coin* the amount of the loans for which they had subscribed. The effect was most disastrous. He thus destroyed, almost at a blow, the basis of bank credits, and forced a suspension of specie payments. The gold which had constituted the basis of banking transactions was absorbed by the Treasury, to be paid out to contractors, and immediately to be hoarded where it could no longer be useful in business or for the public exigencies. Mr. Chase might have avoided this, but he saw fit to precipitate the disaster. To do this in a period of national calamity, I shall always regard as an act of most extraordinary infatuation.

Immediately after the failure of the banks, the bill was introduced by yourself authorizing the issue of United States notes to circulate as currency, and providing for the funding of them in six per cent. bonds. Your plea was that of necessity. I did not share your views. Accordingly, I opposed in debate the proposition to issue a legal tender paper currency which the framers of the constitution had wisely intended to inhibit. At the same time, I am free to admit, that the accompanying provision to fund these paper promises promptly in the bonds of the United States was a measure of redemption which could not, under the circumstances, be too highly commended. At this moment it presents the only means possible for an early and safe return to specie payments. Had it been consistently adhered to, it would have brought the country to that point before the present administration came into power.

But unhappily, a Congress succeeded to the thirty-seventh which was not controlled by the high moral considerations, and which did not possess the capacity of its predecessor. Loose views of financial integrity were entertained. The Secretary of the Treasury found the majority were pliable to his purposes. At his demand legislation was had abrogating the provision

for the conversion of the legal tender notes into bonds and also empowering him to issue other evidences of debt at his discretion. A power so tremendous has seldom, if ever before, been lodged in the hands of a minister. I am constrained to say that it was exercised almost wantonly. The credit of the nation was depreciated to the verge of bankruptcy. A five per cent. loan was placed on the market; compound interest notes and other ephemeral devices were resorted to in order to shove up the stupendous financial fabric which seemed to be tottering to its fall. I counted the different varieties of paper which were emitted until, if my memory serves me right, the number reached *thirty-three*, when I gave up in despair.

The instinct of the people was wiser than the subtlety of the men who assumed to guide it. Mr. Lincoln was placed a second time in the field for President, while Mr. Chase was compelled to yield to the storm which he had created and retire from the Treasury. To the errors of his three years of office the country is indebted for the needless augmentation of the public debt by the sum of at least one thousand million dollars. But perhaps a still greater evil was the repudiation, by an obsequious majority in Congress, of the national faith which had been pledged to the holders of the legal tender notes. By section I of the act approved February 25, 1872, it is provided that "any holder of said United States notes, depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States, or either of the Assistant Treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of the bonds of the United States," etc. This provision, which was endorsed upon every note issued, was repealed in a manner which I must characterize as *clandestine*. Henceforth the notes were irredeemable, and in that form they sunk from one depth of degradation to another, until they were worth but one-third of their face value. The moral sense of the community was also debased until it became as low as that of the government.

Under the ensuing administration an ability and integrity of purpose was displayed by the Secretary of the Treasury, the Hon. Hugh McCulluch, which, had he been properly seconded by Congress, might still have retrieved the national faith. But a career of jobbery had now been entered upon. Partisanship superseded the dictates of national honor. This chapter of our history will be perused by Americans in the future only with emotions of shame.

The appointment of Mr. Boutwell to the Treasury Department was a concession to the spirit of the times. Under his administration of the public finances, the currency, which had been legalized only as a war measure outside and beyond the constitution, was still further expanded, although peace had been restored and its original purpose had been accomplished.

It is an encouraging omen that the public mind has at length become aroused to the importance of restoring the constitutional currency. Wherever elections have been held, the people, in disregard of partisan considerations, have

voted against any further inflation of the currency. I devoutly trust that the good work will go on until the great wrong which has been inflicted upon the industry of the nation shall be righted. You will, I trust, pardon me for saying in conclusion that the first requisite for the accomplishment of this desirable end is a radical change in the administration of the government.

Faithfully yours,

F. A. CONKLING.

HON. S. S. Cox having made a good speech in the House in opposition to inflation and repudiation, Mr. Spaulding addressed him a letter on the subject. The following is an extract from Mr. Cox's letter in reply:

" You see I have refreshed myself at your fountain. I am happy that the opportunity occurred to hit repudiation between the eyes. We are all on our side so entirely powerless we cannot but challenge the Republicans *to do something* in the coin line. I will never cease to remind them of your pledges and the plighted faith of Congress. As if a debt in the people's pockets was not as honorable an obligation, and more so, than any other ! * * *

Yours truly,

December 24, 1869.

S. S. COX.

A. A. LOW, ESQ.

NEW YORK, Sept. 24, 1869.

Hon. E. G. Spaulding, Buffalo,

DEAR SIR:—Your valued favor of the 17th instant was duly received, together with the volume on the "Financial History of the War," for which I am much obliged. It is an interesting and valuable work. I can say this without having progressed very far in the reading of it. I shall take it up and finish it at my leisure.

I was, from the first, in favor of the "legal tender" act, of which you were so largely the author, believing it to be a necessity. I have not seen any reason to change my mind with the progress of events. But the war being over, I confess to a good deal of disappointment to find how great and how general is the unwillingness of the people at large to return to a sound currency. The patriotism that carried the North through the war seems to be exhausted, and demoralization to have taken its place. Some few there are in favor of returning to specie payments, professedly, but if any plan is suggested looking to contraction as a means to this end, it will be found to have no friends.

If we cannot have existing evils remedied in any other way, I hope the Supreme Court of the United States will find that while the law making United States notes a "legal tender" was "necessary and proper" during the war, it is neither constitutional or right, now that the war and the necessity have passed away. Certainly this view should apply to any further issue. Unless we get relief in this way, I despair of any that does not come by the severe discipline that follows wrong doing. * * * I remain, dear sir,

Most respectfully yours,

A. A. LOW.

GEN. J. D. COX.

DEPARTMENT OF THE INTERIOR,
WASHINGTON, Nov. 10, 1869. }

MY DEAR SIR:—I thank you very heartily for the copy of the "Financial History," which I recognize as a valuable contribution toward the elucidation and final solution of our great financial problem. I have so often heard your views referred to by my brother and his partner, Mr. Robinson, that I am eager to have the opportunity of personal conference with you on what I regard as the crucial question this administration has to meet, viz., the return to specie payments, and a currency with a real and fixed value.

To turn our faces at once, and like a flint, in the *direction* of resumption, I hold to be our cardinal duty. The *rapidity* of the movement is of less consequence, the danger being rather that we should go too fast when once started.

I am rejoiced that the country is to continue to have the benefit of your experienced counsels, and trust it may not be long till I shall have the opportunity of discussing these matters with you in person.

Very respectfully and truly, your obedient servant,

Hon. E. G. SPAULDING.

J. D. COX.

HON. JUSTIN S. MORRILL,
A member of the Senate Finance Committee.

STAFFORD, Vt., Oct. 9, 1875.

Hon. E. G. Spaulding, Buffalo, N. Y.,

MY DEAR SIR:—I have received and read with interest your "Introduction" to the second edition of your "Financial History of the War." It is able, impartial and timely, and, like the original work, reflects great credit upon the author. I hope it is destined to exert all the influence in the settlement of the grave questions pending that its merits so well deserve. If you differed from me at the inception of some of these financial measures, we do not differ now, and I am glad you find leisure and feel it to be your duty to still render services to your country.

Very sincerely yours,

JUSTIN S. MORRILL.

HON. JOHN J. CISCO,

Asst. Treasurer in New York while Mr. Chase was Sec'y of the Treasury.

59 WALL STREET,
NEW YORK, Oct. 25, 1875. }

MY DEAR SIR:—With your letter I duly received the advance sheets of your "Introduction" to a further edition of the "History of the Legal Tender Act," for which please accept thanks.

I have carefully read your statement of facts, and they fully accord with my memory regarding them. Your volume will be an exceedingly valuable acquisition to the financial histories of the world. Since the close of the rebellion there has been no well defined financial policy leading us in the direction of specie payments, and to this failure on the part of the government we may attribute the downfall in the panic of 1873 of the "paper structure" we had reared, and the subsequent paralysis of the mercantile and industrial interests of the nation. There can be no permanent prosperity to our country until we are restored to a sound basis for our transactions. With kind regards,

Yours very truly,

JOHN J. CISCO.

Hon. E. G. SPAULDING, Buffalo, N. Y.

GEORGE S. COE, ESQ.,

On our early Financial War Measures and the First and Second Mistakes of
Secretary Chase—War Currency—Specie Payments, Sub-Treasury, etc.

AMERICAN EXCHANGE NATIONAL BANK, }
NEW YORK, Oct. 8, 1875. }

Hon. E. G. Spaulding, Buffalo, N. Y.,

DEAR SIR:—Your favor of the 25th ult. came duly to hand, in which you ask me to give my personal recollection in full of the circumstances connected with the early part of the financial history of the war.

After the accession of Mr. Lincoln to the Presidency, the securities of the government became difficult of sale, and they declined to such an extent that for the week ending June 24, 1861, the following quotations were published:

U. S. Bonds, 1881 (coupon), 6 per cent.....	88 $\frac{3}{4}$	88 $\frac{3}{4}$
" Treasury notes, 12 per cent. int.....	101 $\frac{3}{4}$	102
" " 11 " "	101	101 $\frac{1}{4}$
" " 10 $\frac{3}{4}$ " "	100 $\frac{1}{4}$	

Zealous exertions had been made by carefully-organized committees of the New York Chamber of Commerce, the month before, to obtain subscriptions to government loans by sending circulars throughout the Northern States, in which citizens, public officers, banks, and other institutions, were solicited to act as voluntary agents. But the aggregate secured was inconsiderable, and utterly failed of the amount required for pressing necessity. The great conflict was rising daily into more appalling magnitude. Moneyed capital, with instinctive timidity, buttoned tightly its pockets, and shrank from the danger.

Fortunately, the commercial conditions of the Northern States were altogether favorable. The panic of 1857 had been followed by three or four years of great productiveness and economy, which had so turned international exchanges in favor of this country that larger balances in coin than ever before had, during 1860 and 1861, been imported from Europe. The banks in New York alone holding the unprecedented amount of fifty millions, equal in August, 1861, to about fifty per cent. of their liabilities, while the apprehension of war had produced a general curtailment of credit throughout the Northern States.

After the disastrous battle of Bull Run, and when Washington was closely beleaguered, and the avenue thence to New York through Baltimore was intercepted by the enemy, Mr. Chase, then Secretary of the Treasury, came to this city via Annapolis, and immediately invited all persons in this community who were supposed to possess or to control capital to meet him on the evening of August 9th, at the house of John J. Cisco, Esq., then Assistant Treasurer of the United States in New York. This invitation drew together a large number of gentlemen of various occupations and circumstances. During the discussion which ensued, I suggested the practicability of uniting the banks of the North by some organization that would combine them into an efficient and inseparable body, for the purpose of advancing the capital of the country upon government bonds in large amounts, and through their clearing-house facilities and other well-known expedients, to distribute them in smaller sums among the people in a manner that would secure active co-operation among the members in this special work, while in all other respects each bank could

pursue its independent business. This suggestion met the hearty approbation of the assembled company, and arrested the earnest attention of the Secretary. At his request it was presented to the consideration of the banks at a meeting called for that purpose at the American Exchange Bank on the following day, and was so far entertained as to secure the appointment of a committee of ten bank officers, to give it form and coherence. The committee convened at the Bank of Commerce, whose officers zealously united in the effort, and a plan was reported unanimously. It may be found, with the names of the committee, in the *Bankers' Magazine* of September, 1861. Their report was cordially accepted and adopted by the banks in New York, those in Boston and Philadelphia being represented at the meeting and as zealously and cordially united in the organization. It was greatly desired to include also the banks of the West, but it was found impracticable to secure the co-operation of the state banks of Ohio and Indiana, and the state banks of Missouri, the only other organization under a compacted system, were surrounded by combatants.

It was at once unanimously agreed that the associated banks of the three cities would take fifty millions of 7 3-10 notes at par, with the privilege of an additional fifty millions in sixty days, and a further amount of fifty millions in sixty days more, making one hundred and fifty millions in all, and offer them for sale to the people of the country at the same price, without change. In this great undertaking the banks of New York assumed more than their relative proportion. To ensure full co-operation and success, the expedient of issuing clearing-house certificates, and of appropriating and averaging all the coin in the various banks as a common fund, which had been invented but the year before, was applied to this special object with good effect.

So vast a responsibility, involving figures of such magnitude, had never before been attempted in this country, and the assumption of it with such promptitude was without precedent in history.

The capitals of the banks thus associated made an aggregate of one hundred and twenty millions, an amount greater than the Bank of England and the Bank of France combined, each of which institutions had been found sufficient for the gigantic struggles of those great nations, from time to time, in conflict with all Europe. And this combination, made up of distinct and independent corporations, while it possessed all needed capacity for government work, was free from the objections made to one great financial institution. The following figures also show that its financial condition was one of great strength:

	<u>LIABILITIES</u>		<u>ASSETS IN COIN.</u>
Banks in New York.....	Deposits.	Circulation.	\$49,733,990
" Boston	\$ 92,046,308	\$ 8,521,426	
" Philadelphia.....	18,235,061	6,366,466	6,665,929
	15,335,838	2,076,857	6,765,120
\$125,617,207		\$ 16,964,749	
		125,617,207	

Total.....\$142,581,956 against \$63,165,039 coin on hand, equal to 45 per cent. of all liabilities. Surley, such conditions

as these, with judicious administration, were adequate to the work which the country required. A great merit of this bank combination at that critical moment, when the life of the nation hung in the balance, consisted in the fact that it fully committed the hitherto hesitating moneyed capital of the North and East to the support of the government. The bank officers and directors who thus counselled and consented were deeply sensible of the momentous responsibility which they assumed, but all doubt and hesitation were instantly removed, and perfect unanimity was secured by the question, "*What if we do not unite!*" And, acting as guardians of a great trust exposed to imminent danger, they fearlessly elected the alternative best calculated to protect it.

The problem to be practically resolved by the Banks was this. How can the available capital be best drawn from the people; and devoted to the support of Government, with the least disturbance to the country? and by what means can arms, clothing and subsistence for the army be best secured in exchange for Government credit? These were simply questions of domestic exchange, and most naturally suggested the use of the ordinary methods of Bank checks, deposits and transfers, that the experience of all civilized nations had found most efficient for the purpose, and that this should be accomplished by the Associated Banks, in a manner best calculated to prolong their useful agency, and to preserve the specie standard, it was indispensable that their coin reserves remain with the least possible change. Accordingly it was at once proposed to the Secretary that he should suspend the operations of the Sub-Treasury Act in respect to these transactions, and following the course of commercial business, that he should draw checks upon some one Bank in each city representing the Association, in small sums as required, in disbursing the money thus advanced. By this means his checks would serve the purpose of a circulating medium, continually redeemed, and the exchanges of capital and industry would be best promoted. This was the more important in a period of public agitation when the disbursement of these large sums exclusively in coin, rendered the reserves of the Banks all the more liable to be wasted by hoarding. To the astonishment of the committee, Mr. Chase refused. Notwithstanding the act of Congress of August 5th, which it seemed to us was passed for the very object then presented, but which he declared upon his authority as finance minister, and from his personal knowledge of its purpose, had no such meaning or intent. This issue was discussed from time to time with much zeal, but always with the same result. It was seen by the most experienced Bank officers to be vital to the success of their undertaking. To draw from the Banks in coin the large sums involved in these loans, and to transfer them to the Treasury, thence to be widely scatter over the country at a moment when war had excited fear and distrust, was to be pulling out continually the foundations upon which the whole structure rested. And inasmuch as this money was loaned to the Government, and was in no sense a trust reposed in the Banks, there appeared to them no reason why it should not be drawn by checks in favor of Government contractors and creditors, who would require to exchange them for other values in commerce and trade, through the processes of the clearing-

house. And this consideration was greatly strengthened by the fact that these advances were made and the money publicly disbursed, a long time before the Treasury Notes were ready for delivery to the Banks which had paid for them. In the light which has since been shed upon the act of Congress referred to, it is evident that undue weight was given to the views of the Secretary, and that the Banks would have conferred an incalculable benefit upon the country, had they adhered inflexibly to their own opinions. But the pressure of startling events required prompt decision, and the well known intelligence and patriotism of the Secretary, gave to his judgment overwhelming power. It soon became manifest that in consenting to have their hands tied, and their most efficient powers restricted, while engaged in these great operations, and in allowing their coin reserves to be wasted, by pouring them out upon the community in a manner so unnecessary and exceptional, the Banks deprived themselves and the Government of the ability of long continuing, as they otherwise could have done, to negotiate the national loans upon a specie standard.

This first great error, if it did not create a necessity for the legal tender notes, it certainly precipitated the adoption of that most unhappy expedient, and thereby committed the nation at an earlier day, to the most expensive of all methods of financing.

One other subject of discussion between the Secretary and the Associated Banks at the same time arose, which led in the same direction. Congress by its act of 17th July, had authorized loans to the amount of two hundred and fifty millions. This could be issued either in Bonds running twenty years at not over seven per cent. interest—7-30 notes running three years, or fifty millions of the amount could, at the discretion of the Secretary, be made in currency notes payable on demand without interest. As the undertaking of the Associated Banks covered one hundred and fifty millions of this sum, and it was desired that they continue the work thus auspiciously begun, a question of the expediency of putting out the circulating notes was immediately raised by one of its members. A very small amount had been emitted. The Treasury was empty of coin to redeem them, and could only be replenished by the proceeds of the Bank loans. It was evident to the Bank officers that they could not sustain coin payments, if the transfers from their vaults to that of the Treasury, were subject to be intercepted and absorbed by these notes of Government. Nor could the Banks receive them upon deposit from the public as money, while they were responding to the Government and to their own dealers in coin. It was an inflation of the currency in the form most embarrassing to the enterprise they had commenced. Accordingly the Secretary was urgently solicited to refrain from exercising the discretionary powers given him of creating the Treasury currency, until all other means were exhausted. In response to a resolution to that effect, the Secretary assured the Bank officers of his acquiescence in their suggestion, but at the same time insisted that it was improper for a public officer to openly pledge himself *not* to exercise a power conferred by the law. With this understanding the Banks began their work, paying into the Treasury in coin one hundred and fifty millions in sums at the rate of about five millions at intervals

of six days. Even with all these unfavorable circumstances surrounding them, it was an encouraging fact observed by those who were anxiously watching the practical operation of this great and novel experiment, that while the circulating notes in the country were restricted, the disbursements of the Government for the war, were so rapid, and the consequent internal trade movement was so intense, that the coin paid out upon each instalment of the loan, came back to the Banks through the community, in about one week. The natural effect of this general commercial activity upon the circulating medium, being simply to quicken its flow.

After taking the third amount of fifty millions by the Associated Banks, those in New York who had at that time paid in of their proportion over eighty millions in all, found themselves in this position.

Their aggregate coin, which on the 17th August, before the first payment into the Treasury, was.....	\$49,733,990
Was in December 7th	42,818,610
A reduction of only	\$7,415,380

and the other two cities in like proportion.

In the meantime the 7-30 notes taken by the banks had been purchased by the people to the extent of some fifty millions, notwithstanding a prolonged and vexatious delay in issuing them by the Treasury Department. The popular feeling was all that could have been desired for continuing that method of distribution. It may be confidently affirmed that had the banks been permitted to exercise their own methods of exchanging the bonds for the varied products of industry required by the Government, they could have continued their advances in sums of fifty millions for an indefinite period, and until the available resources of the people had been all gathered in. It is to be borne in mind that these resources were all existing at home, and that the increased industry which the war excited, was daily creating new means for investment. It may be presumptuous to affirm that the legal tender notes could have been dispensed with altogether. But it is safe to say that the causes which seemed to justify that act would have been long deferred to the saving of hundreds of millions to the country.

But at this time the demand notes were paid out freely by the Treasury, and began to appear as a cause of embarrassment among the banks who were pressed to receive them upon deposit, and while they could not decline them without diminishing public confidence in the Government credit, they could not give them currency without impairing their own specie strength. In fact the notes became at once a substitute for coin withdrawn from circulation, and their emission expressed a purpose of resorting to Government paper issues to carry on the war. So soon as these notes thus appeared the reflux of coin to the banks at once sensibly diminished. During three weeks from the 7th December, the reserves of the banks in New York fell to \$29,357,712; a loss of thirteen millions within that short period, and on the 28th December, after conference with the Secretary, in which he still adhered to the views before expressed, it was decided as expedient for the banks to suspend specie payments.

At that moment the associated banks yet held over forty millions in coin, and it was still possible for them to continue their advances to the Government but for the two obstacles thus interposed. Before entering into this last conference with the associated banks, some of the members expressed to the Secretary the importance of continuing his relation to an organization which combined so much of experience, capital and financial resource, and which was yet capable of rendering the Government invaluable service. And that if an irredeemable paper currency was the inevitable resort, it would be more expedient and economical for the Government not to become involved in its dangers, but to impose the duty and responsibility of issuing the notes upon the banks, who would naturally be compelled to keep the day of redemption continually in view. Thus, as a suspension of coin payment was about to be declared, it was practicable to preserve from distribution and set aside the forty millions of coin then owned by the banks, together with one hundred and fifty or sixty millions of Government bonds, which could be taken by them as a special security for two hundred millions of notes, which could then be immediately issued by the associated banks from their own plates, and be verified and made national by the stamp and signature of a government officer. And that such an issue, so supported by coin and bonds, at once simple and expeditious, would serve the temporary purpose required, with little, if any, deterioration below coin value, and that it would be then practicable for the banks to continue without further agitation their advances. But the Secretary declined to entertain this suggestion, preferring the system of national banks, which he had already conceived.

Looking back over events that have since transpired, it must be admitted that this suggestion possessed true merit. It would have preserved a coin basis for the currency, prevented the destructive expansion, relieved the Government from its almost inextricable entanglement with the circulating notes, and compelled an early restoration of coin payments. And with a proper use of the expedients and machinery of banks, by utilizing their power of effecting exchanges, which was subsequently applied by the Secretary in the national banking system without reserve, this amount would have been found sufficient. When we review the excessive cost of the war, the vast increase of the national debt, and the public and private evils which a profuse currency have entailed upon the country, it must appear evident that in failing early to use and to exhaust all those means and appliances of commerce and banking that the experience of other civilized nations have proved most effective, a great and irreparable mistake was made.

One more good service the banks in New York were yet enabled to perform, which, although not great in amount, was most important in its effect upon the credit of the government.

On the first day of January, 1863, \$8,000,000 of the national debt, issued in 1842, became due. It was the first loan that matured after the passage of the legal tender act, and upon its prompt payment in coin, in which the debt was incurred, depended the reputation and credit of the United States at home and abroad, and its ability to make future loans upon favorable terms. It was a momentous question whether the government would apply the new law to its

own obligations, and thus establish a precedent for the future. There was not sufficient money in the Treasury to pay the debt, and up to the latest hour the question was anxiously discussed in the departments at Washington, and almost decided, to plead inability and to fall back upon the legal enactment. At this juncture Mr. Cisco, Assistant Treasurer in New York, to whose patriotic service and wisdom the nation is greatly indebted, zealously interposed his influence. Upon his application to the banks there, they promptly furnished the requisite amount in gold, receiving his personal assurance that it should be repaid out of the revenue when received at his office, and thus the country was again saved from an irretrievable financial disaster.

The legal tender act was regarded by very many men of influence, from the beginning, as a foregone conclusion, and as a measure of inevitable necessity in war. Great doubt was continually expressed whether this people would submit to the necessary taxation for war purposes, and whether the country would bear the strain of so gigantic a struggle if conducted upon principles of sound commercial economy. However we may now honestly differ upon that subject, as we did then, it is certain that had the real temper of the nation been earlier felt by the government, it would have greatly modified and retarded the financial legislation of Congress, and the practical administration of the Treasury. The people proved themselves to be thoroughly in earnest. They needed no patronage to awaken the most heroic devotion, and to draw out the noblest sacrifices as well in private life as in the army.

It is more immediately practical to enquire what was the nature and effect of that important act?

It was, in simple fact, an arbitrary and absolute decree of the government, that with an empty treasury, and in need of all things, its notes payable whenever able and without interest, should be accepted by the people as money. The primary object was to secure material of war without present payment, and in order to effect this exchange it was necessary, secondly, that the edict should empower those who first received the notes to enforce them as money in like manner upon others, and so to distribute the burthen throughout the community.

This forcible entry of the government into the private affairs of the people, so utterly at variance with the fundamental principles of our system, so great an abridgment of personal liberty, and operating as a tax so unequal in its effects, was a rigorous measure of war, and as such was vindicated only as a temporary act of dire necessity. In enforcing this unequal burthen, Congress did not leave the holders of the notes without some measure of relief, but it gave to all the option of converting them at pleasure into a six per cent. gold-interest-bearing bond, payable in twenty years. By this means, the notes became equal in value to the bonds for which they were made exchangable, and while during the war the payments of gold interest continually operated to produce a curtailment of the volume of the notes in circulation, the return of peace opened a market abroad for the bonds, which would have ensured

the early and entire absorption of the war currency, and thus cleared the way for specie payments.

But, in an evil hour for the country, other counsel obtained possession of the good judgment of the Secretary, and yielding to it, he consented and urged Congress to withdraw this privilege of converting the notes, so that thenceforth all issues were made without it. All notes emitted consequently became an unmitigated burthen upon commerce of indefinite duration, from which there was no escape. A new currency was created utterly at variance with all economic laws, and in conflict with all recognized rules of commerce and exchange. It did not, like all sound currency, naturally spring out of industry, production and trade, but it was an enforced result of exhaustion and necessity. It did not come and go, following the beneficent courses of commerce, expanding and contracting with the times and seasons that required it. But it remained an unyielding, inflexible mass, subject only to the chances and vicissitudes of war. As the war progressed and the country became poorer, this currency increased, giving new instruments and facilities to expend just in proportion as the means of payment were consumed. With a compulsory currency thus made, the measure of prices and daily deteriorating yet still increasing, is it strange that all other property was eagerly sought for in preference to this, and that prodigal expenditure became the law of the land?

In depriving the currency of its convertible privilege, it has been made perpetual. Ten years of peace have elapsed and it yet remains. Commerce did not originate and cannot absorb it. There is no natural relation between the two, but they continue in their original antagonism.

I believe that the only practicable relief to the country must come from restoring this privilege. Not of conversion into six per cent. bonds, but in those bearing such rate of interest—say five per cent.—as will induce holders to exchange them. This simple measure, coupled with the repeal of the legal tender act for all future operations, will, in my judgment, open the way for the gradual and easy disposition of this unnatural currency—will restore commerce to the operations of natural laws, give a new and healthy stimulus to industry and trade, and with a country as rich and productive as ours, we shall speedily return to general prosperity. This is the last struggle of the war, and I believe that the whole country earnestly desire to meet and to finish it.

Very truly yours,

GEO. S. COE.

HON. JOHN E. WILLIAMS.

Historical and Prophetic Letter to Secretary Chase.

METROPOLITAN NATIONAL BANK, }
New York, Oct. 21, 1875. }

Hon. E. G. Spaulding,

MY DEAR SIR:—Since I read your greenback history and introduction to the second edition, I have looked over copies of some of my letters of the war period. I found one dated Oct. 4, 1861, to Secretary Chase which so

coincides with your views that I have copied it and send it to you enclosed.
Do with it what you please, * * *

Yours very truly,

J. E. WILLIAMS.

METROPOLITAN BANK,
New York, Oct. 4th, 1861. }

Hon. Salmon P. Chase, Secretary, etc., Washington City:

MY DEAR SIR:—Many thanks for the kindly words to me, personally, in your letter of the 1st instant. I only wish they were better deserved.

Will you permit me to add a few more plain words—as you like frankness—on this all engrossing subject? In the hope, not only that I may make myself more intelligible, but with the hope, also, (I confess,) of modifying your views.

A complete understanding of this subject is of quite as much importance to the Government as to the banks. Indeed, as you substantially suggested, our interests in this matter are identical. Whatever strengthens the banks' vaults, increases public confidence in them, and in their ability to carry the Government through. While an increase in the Sub-Treasury's coin weakens us and the Government too. For the public, the people understand that you rely on us. Herein is a mutual interest, then, which I propose to speak of plainly, directly and respectfully.

You give as a reason for not drawing your checks on the "Loan Banks," that, "however, harmless or beneficial it might be, if confined to the New York banks, it would inevitably result in a general payment and receipt for public dues of bank notes, which in turn would lead to expansion, which in turn would terminate in suspension and vast injuries to the sound banks."

1st. I confess this dark array of disastrous consequences has a black face on it. But as neither of us is afraid to look *into* faces of that color, let us try and see what lies beneath.

The law authorizes you to *select* specie paying banks. Suppose you designate, as such, only banks in New York, Philadelphia and Boston, as "Loan Banks" to draw upon. You are thus relieved from any necessity of looking at what might be the consequences if you were to draw on other or less responsible banks. This narrows the question down to those three cities in which the banks have made common cause with you, and they guarantee each other for the fulfilment of their contract with you. The banks in all these cities are as sound as the banks in either city.

2d. What you seem to regard as a dangerous element, the bank officers look upon as essential to their safety. What you think would guard against suspension of specie payments, they think most likely to precipitate that demoralizing calamity. What you claim for the Sub-Treasury, they ask for the banks—the disbursement of all United States funds! While you regard the payment of public dues in bank notes, convertible at the pleasure of the holder into coin, as an evil to be avoided, they hold it to be as convenient and safe a mode of discharging public obligations as it is private debts. While you speculate as to what is best for sound banks, they think, with their practi-

cal experience, they *know* what is best for their institutions. And inasmuch as the law was made to give the banks this advantage, they feel they have a right to demand it.

3d. Their general reasons for these conclusions are that Congress *meant something*, (it is but fair to suppose) when they passed the act of August 5th, 1861, suspending so far the Sub-Treasury Act as to *allow* you to do what we ask, namely, draw on the loan banks. You will remember you agreed, so far as it was in your power, to conform your operations in this regard to our wishes. That was the result of our understanding with you as taken down after you left us on Saturday, from the lips of each of the bank officers composing the committee, who heard all you said and noticed your earnest manner. For myself, I was *instructed* not to agree to take our share of the second fifty millions *unless* the Government would so far agree to *help us* as to draw on the banks that furnished the money. This feeling arose, not so much from a desire to derive any petty gain of time or interest by this mode, as it did from a wish to adopt a method which would enable the banks to *carry through*, without ruin to themselves, this unprecedented loan to the Government. In point of magnitude without a precedent, I believe, in any country.

4th. You can now, perhaps, better than before, enter into our feelings and understand our surprise that you should not take our judgment in this matter, but rather argue on the supposition that we do not understand the legitimate operations of our own business so well as you do. This happens, too, under circumstances very peculiar. *But for the banks* the Government could *not pay at all!* It would have been bankrupt six weeks ago. Surely, my dear sir, this is no time for splitting hairs, or for you to tell bank officers—(impliedly, it is true,) that they don't understand what dangers they propose to encounter. Nor is it a time for you to refuse what they ask merely on an abstract theory of yours as to what might happen. If, on the other hand, you should persist in the course you indicate, is there not danger that you will *create* the very evil we all desire to avoid, namely, a suspension of specie payments?

5th. As to the two-years' treasury notes, I am more and more of the opinion that you have no legal right to take them of the people at large, whether our treasury note committee requests you to take them or not to take them, it is all the same, in my opinion, as to your duty. The associated banks paid you a *consideration* for taking these notes out of their vaults, and you contracted to do so. They pay you in another loan of fifty millions. If the public or a foreign country had loaned you fifty millions on similar terms, you would have been justified, no doubt, by Congress in making a law unto yourself predicated on public necessity. But no such loan has been made, either by the public or by Europe.

Already the brokers are telling us that they shall pass in the two-years' notes, which they have bought at a discount, take out the 7-30 notes and sell them on the street at a discount, which they can, and make a profit—thus commanding the market. This is the first disastrous demonstration, but, I fear, by no means the last.

The case plainly stated looks unsightly. You hire money at 7-30 to pay obligations bearing only 6 per cent. interest not due for a year and a half, when you need that very money to maintain your existence, and when, as I sincerely believe, you are under no moral or legal obligation to pay a dollar, but on the contrary, are bound *not* to pay without the sanction of Congress.

One word and I have done. You will remember that you said to us in the committee, "I am so desirous of meeting your views that I would almost place myself in the hands of this Treasury Note Committee, to do as they should say, confident they would not ask of me anything illegal or improper." This, sir, induced me to move the taking of the second fifty millions.

I am, most respectfully and very truly yours,

J. E. WILLIAMS.

HON. GEORGE WILLIAM CURTISS.

WEST NEW BRIGHTON,
STATEN ISLAND, Oct. 11, 1875. }

MY DEAR SIR:—I thank you for your introductory pamphlet, which comes at a most opportune moment, and will be of great assistance in enlightening the public mind and in forming a sound opinion.

With great regard, very truly yours,

GEORGE WILLIAM CURTISS.

Hon. E. G. SPAULDING.

HON. E. H. STOUGHTON.

NEW YORK, Nov. 25, 1869.

DEAR SIR:—Accept my thanks for the copy you were kind enough to send me of your instructive and interesting "History of the Legal Tender Paper Money Issued During the Great Rebellion." I there find, within a narrow compass, admirably arranged, all that need be studied on the subject; and in connection with what is purely historical, may also be found thoughts and suggestions on questions of finance worthy of deep attention. The extent to which the book may be circulated will be the measure of its usefulness.

Very truly yours,

E. H. STOUGHTON.

Hon. E. G. SPAULDING.

HON. MONTGOMERY BLAIR.

456 LOUISIANA AVENUE,
WASHINGTON, D. C., Oct. 19, 1875. }

DEAR SIR:—I thank you for the "Introduction" to the new edition of your "Financial History of the War." The work will always form an interesting chapter in the history of our great struggle, and it ought now especially to attract attention when the effort is being made to perpetuate the error of abolishing money, which, in effect, abolishes property, and which your book shows was only consented to amid the excitement of war, and in the belief that it was necessary to maintain the Union.

I did not concur in the measure even then, and still think it only aggravated the evils it was intended to meet, and added, as General Dix estimates, at least \$1,000,000,000 to our debt. Is there anything more surprising than that now, more than ten years after the war, after the man who, as Secretary of the Treasury, recommended the measure, has, as Chief Justice, pronounced it not only unconstitutional, but a blunder, and as having impaired instead of aiding our credit; and when the great body of those who then supported it to aid the government have abandoned it, that a portion of those who then opposed the war, and opposed this and all other measures adopted to carry it on, and denounced it as unconstitutional, should now seek to make permanent this disastrous policy? The fact that the Supreme Court *validates only the legal tenders issued during the war*, to which you call attention, shows, however, that there need be no fear of that, and that the court will soon put down the fraud even if the people would tolerate it, of which I have no fear.

Yours truly,

MONTGOMERY BLAIR.

Hon. E. G. SPAULDING, Buffalo, N. Y.

SENATOR CHRISTIANCY.

Gold and Paper—Their Actual Value.

Senator Isaac P. Christiancy, of Michigan, in his letter to the Hard-money Convention, in Detroit, said: "Now, I am so old fogy in my notions and opinions as to hold that, when an individual or nation is deeply in debt, the true and only honest way of getting rid of that burden is the plain, old-fashioned way of paying the debt in money where it was agreed to be paid in money, or in something of equal value and convertible into money; and if we cannot pay the whole at once, or when due, then to pay the interest in the meantime, and the debt as fast as we can. If we have not the money to pay with, then the better plan is to go to work in any and every form of productive industries, producing values which will command the money, rather than to adopt the plan substantially followed by a large proportion of our people of speculating out of each other in purely fictitious values, like two boys who shut themselves up in the same room for a week, and both got rich, or fancied they had got rich, by trading and retraiding jackets with certain offers of boot money each way, which neither ever intended to pay."

GOV. E. D. MORGAN.

NEWPORT, R. I., Sept. 13, 1869.

Hon. E. G. Spaulding, Buffalo,

MY DEAR SIR:—I have read just enough of the "Financial History of the War," this morning, which you have very kindly sent to me, to be much interested therein. As a history it is invaluable, showing as it does, in the clearest possible manner, how the means were obtained for prosecuting the war which finally saved the Union. I feel under great obligations to you for preparing this valuable and concise narrative. I am, dear sir,

Very truly yours,

E. D. MORGAN.

(From the Washington Daily Chronicle, Oct. 4, 1869.)

HISTORY OF THE GREENBACK.

Hon. E. G. Spaulding, of Buffalo, who was a member of the Committee of Ways and Means of the House of Representatives at the time of the passage of the legal tender act, as well as of the sub-committee which had especial charge of that subject, has written a "History of the Legal Tender Paper Money Issued During the Great Rebellion." This has just been published in the form of a neat octavo volume of two hundred and thirteen pages, and constitutes one of the most valuable contributions to the history of the late struggle for the preservation of the Union. It presents copious extracts from the speeches of members of both Houses of Congress for and against the bill, and is a complete compendium of the views which then prevailed on both sides of the question, as well as a faithful record of the circumstances under which the measure was resorted to. The moment when the nation was engaged in a struggle which taxed its utmost energies and resources, was certainly not the time for that elaborate consideration necessary to the development of the most desirable system of finance. Action, prompt, decisive, and practical, was what the crisis demanded; and while it cannot be denied that the issue of a legal tender paper money unsettled values, and thus occasioned more or less injustice among the people in their settlements with each other, besides increasing the expenses of the war through the general rise in prices of all commodities, it is equally undeniable that it was a most efficient instrument in the hands of the government in enabling it to meet the exigencies of the time, and in bringing the war to a successful termination. It is not as an advocate of a particular plan of finance, however, but as its historian, that Mr. Spaulding appears before the public, and in this light his book is of incalculable value. Its strict accuracy is endorsed by the most prominent of the members of both houses of Congress who aided or opposed the measure whose history he relates, and participated in the discussions by which it was preceded. The experience of that time contains invaluable instruction for our future guidance, and even the mistakes committed may be converted into benefits by turning to profitable account the lessons which they afford. This instruction, and these lessons, Mr. Spaulding has placed before us in the most compendious form possible, and no statesman, business man, or student of finance—indeed, we might almost say no citizen—can afford to be without his book.

HON. ALMON M. CLAPP,
Public Printer.

WASHINGTON, Oct. 15, 1875.

MY DEAR SIR:—I am indebted to your polite attention for an advance sheet of your "Introduction" to the second edition of that more than excellent "Financial History of the War," which emanated from your pen some years since. I read that effort, soon after it made its appearance, with more than ordinary pleasure and profit, and now have just completed the perusal of your introductory to the forthcoming edition.

It is but the part of candor that I should here express the opinion that your criticisms relating to the management of our national finances during the period that has intervened since the commencement of the war to crush rebellion occurred, are but merited and just. That war found the nation with an empty treasury, and an imperious necessity for the ways and means to enlist, equip, pay and sustain an army of sufficient force to maintain the National Union from-overthrow. That was a trying and fearful crisis, but the ingenuity of statesmanship proved adequate to the emergency. The nation had neither gold nor silver nor paper currency with which to meet the wants of that important and critical period, and hence the national faith was pledged in bonds and paper money to an extent that met the demands of a protracted and expensive struggle. That achievement was without parallel in the history of nations, and reflected great credit upon the wisdom of our statesmanship and the patriotism of our people.

To you, sir, as much as to any other statesman of that period, is the nation indebted for a financial policy that bore it through the war successfully. I apprehend that the second edition of your "Financial History of the War" is superinduced by an effort now being made to inflate our paper currency and postpone the day of its redemption in gold and silver. This movement may be regarded as of serious import. It seems, indeed, incredible that any considerable number of citizens should make an assault upon the national faith and credit by placing our currency beyond the hope of immediate or remote redemption, but such is the lamentable fact. The call for an unlimited volume of paper money issue, when every effort should be made in the direction of early resumption, is indeed alarming. A more reprehensible policy at this period of our history cannot well be imagined, and it demands all the wisdom available to avert the impending evil. The government is pledged to resumption at the earliest day practicable. To postpone that important period indefinitely, as the advocates of inflation propose, would bring discredit upon the national faith and honor, and cover our government with inevitable disgrace. And, beyond this, it would involve the industrial and commercial interests of the country in a common ruin.

Our currency is irredeemable now, and yet it is proposed that the government shall issue untold millions more, and thus plunge the nation into ultimate repudiation. This policy is a delusion, and would, if it should obtain, border upon crime. It is a fraud in its intent, and its consummation would stamp the nation with infamy. Its advocates contend that the issue of five or six hundred millions, more or less, of government promises-to-pay will give an impulse to the business energies of the country and bring early prosperity, when its effect would be to depreciate every paper dollar to a standard of value below fifty cents. Now a paper dollar is worth but eighty-five or eighty-six cents, with a downward tendency. It would not take long under inflation to bring us to a point where it would require two dollars of paper currency to purchase one dollar of gold or silver. Such a prospect is to be deeply deplored, and the danger that it foreshadows should be promptly met and turned aside.

If the nation should yield to the demands of the inflationists, and set its printing presses and paper mills at work to pour forth a flood of new-made paper money, that would afford no adequate relief to the business interests of the country. There is more currency now than can be reached for general business purposes, inasmuch as there are but two ways of calling it forth from the vaults of the Treasury and the banks. One is to purchase with currency property or labor, and the other is to obtain it by stealth. Hence to make millions more would not afford the promised relief, for the simple reason* that the people do not seem to possess the means of purchase, and the chances for theft are not very favorable.

The ills complained of, and which seem to prompt to inflation, arise from the fact that we have in this country at the present time too many consumers and too few industrious producers. There is a numerous class who have undertaken to live by their wits and upon the efforts of the more industrious. This condition of affairs brings business want and distress where there should be abundance, and those who have thus brought themselves to such estate by idleness, extravagance, or mismanagement, are now loudest in their demands for inflation. It is upon such that the engineers of this pernicious measure rely for its success, and yet that class would suffer the deepest disappointment when it should fully be consummated.

It occurs to me that your views of finance are peculiarly adapted to the work of bringing this nation back to the paths of resumption, prosperity and happiness, and that it will be a fortunate day for the country when they are fully accepted and adopted as the policy of the government.

In 1861 we were called upon to make sacrifices to preserve the national unity and integrity. In 1875 the duty is none the less imperious to rally in behalf of honest money, and that we may preserve the national faith and honor. I am, sir, with much respect,

Your obedient servant,

A. M. CLAPP.

Hon. E. G. SPAULDING.

GEN. J. R. HAWLEY.

THE POSITION FOR SANE MEN TO TAKE.

GENTLEMEN, I repeat, there is no road to resumption through expansion, except the road that goes through repudiation. If I am not altogether wild in this matter—I have with me the boards of trade, the chambers of commerce, the great merchants and bankers and financiers—if I am not altogether wild in this matter, this is the decisive, the turning-point in the national finances, and what is of infinitely less importance, a turning-point in the history of political parties. Many men who long for political reorganization have looked eagerly for the action which was to bring it about. Sir, parties are not called into existence by a proclamation. Parties create themselves. They grow out of some profound belief, some great moral purpose. You are furnishing that belief and that purpose to-day, by making it necessary for men to rally, without regard to party lines, for the defense of sound eco-

nomic principles and the preservation of the honor of the nation. There is no man so good that I will vote for him for any office, from president down to constable, if he is unsound upon this financial question. There is no man so dear to me that I will not fight him from the word "go" until the election closes, if he is unsound on this question. And I know very many men who agree with me on this point. But I do not care whether there be five, or fifty, or five hundred; I am planted as firmly on this ground as in the days when I was a radical abolitionist, though I could not see the possibility of triumph within a hundred years. I believe, I know what is right upon this matter, and I have no doubt that what is right will come uppermost in this country, that the people will sustain.—*Speech of Gen. J. R. Hawley, of Hartford, in the House of Representatives, April 1, 1874.*

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